Summer of discontent
Has Clinton lost his way and his spirit?
Jurek Martin, Page 13

Food, inglorious food
British cuisine gets fancy but no better
Page 12

CD-Rom publishing
I've read the future and it spits
Media futures, Page 9

Heirs apparent
Be ready if the boss falls under a bus
Management, Page 6

FINANCIAL TIMES

Europe's Business Newspaper MONDAY AUGUST 8 1994 D8523A

Microsoft signs up ICL in European servicing deal

Microsoft, the world's largest computer software company, has chosen ICL of the UK to service its products and customers across Europe. Microsoft is to concentrate on software development while seeking business partners to service and support large customers across the world. The deal underlines Japapese-owned ICL's increasing commitment to computer services at the expense of computer making. Page 15

US fears over UK entry laws: US business groups fear tighter restrictions will be placed on non-European citizens visiting the UK for business purposes under a change to Britain's immigration regulations. Page 14

Japanese methods fail UK companies: British companies which are big users of Japanese manufacturing methods such as "just-in-time" stock control have smaller profit margins than low users or those which do not use them at all. Page 4

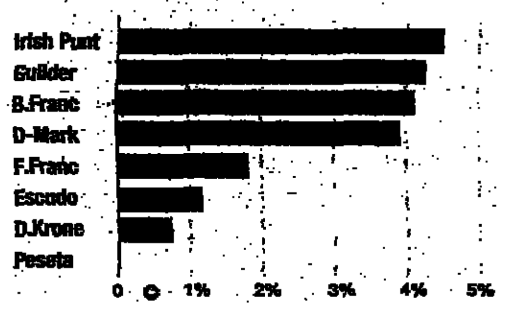
Demand for publicity over trawler nets: Nets from the British trawler Charisma, involved in the dispute over tuna fishing in the Bay of Biscay, should be measured in public to prove they comply with European regulations, its owner demanded. The trawler was brought into Devonport last night by the fisheries protection vessel Alderney.

Worries over Abiola: Concern was growing about the welfare of Moshood Abiola, presumed winner of Nigeria's recent annulled elections, who has refused to accept the conditions for his release on bail sanctioned by the military government. Page 4

Charter urged to raise Esab offer price: UK industrial group Charter faces trade union opposition and calls for it to increase its offer price for Esab of Sweden, the world's leading producer of welding equipment. Page 15

European Monetary System: The Irish punt climbed from fourth to first place in the EMS grid. In a week which saw Spain and Portugal trim interest rates, the order of other currencies remained unchanged. There was little movement in the spread between top and bottom currencies. Currencies, Page 27

EMS: Grid August 5, 1994



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permited to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Catholic woman shot dead in Ulster: A pregnant Catholic mother-of-five was shot dead at her isolated home near Omagh, Co Tyrone. The loyalist Ulster Volunteer Force claimed responsibility.

Hong Kong launches China index: Investors will be able to track the composite performance of Hong Kong-listed China companies from today with the launch of the Hang Seng China Enterprises Index. Page 17

Unitrin expects takeover ban: Unitrin, Chicago-based insurer which is the target of a $2.6bn takeover approach from its larger rival, American General, said a merger was unlikely to be allowed under antitrust laws. Page 17

TUC seeks wider rights for workers: Britain's Trades Union Congress is to debate proposals that all employees, not just union members, should be given new legal rights of representation in the workplace. Page 4

BAe to cut directors' contracts: British Aerospace is set to cut the length of its executive directors' service contracts from three to two years following mounting frustration among institutional shareholders over pay-outs to directors who resign. Page 16

Algerian militant threat to France: France is to tighten security measures after a militant Algerian group warned of reprisals if France failed to free 17 suspected Moslem fundamentalists. Page 2

Hyundai counts cost of strike: Hyundai Heavy Industries, South Korea's largest shipyard, says it has lost Won338bn ($425m) in sales because of a strike that began in June. Page 4

Canadians in tissue project: Kruger, family-owned Canadian forest products business, is to build a tissue paper facility in northern England and will buy a Welsh tissue converting company with the help of 3i, the UK's largest development capital group. Page 16

SPD plans German tax cuts: Germany's opposition Social Democrats will cut taxes for the low paid but introduce a supplementary 10 per cent increase for higher income earners if they win the next election, SPD economics spokesman said. Page 2

UK van and truck sales rise: UK registrations of new commercial vehicles rose by 24.2 per cent last month. Registrations have risen strongly year on year in almost every month this year. Page 4

Russia revels in the order of the nouveaux riches

By Chrystia Freeland in Moscow

When Mr Sergei Mavrodi, the president of the troubled MMM pyramid scheme, was arrested in a dramatic raid last week a crowd of angry Russian investors gathered outside his apartment. But instead of baying for the blood of the man who gave them a painful initiation into the rites and risks of capitalism, the investors clutched banners reading "Hands off Mavrodi!"

The strange mood of the investors – who have seen the value of their MMM stock tumble from $55 to $1.20 over the past two weeks – is part of a broader transformation gripping Russia. For 70 years party apparatchiks ruled this country but, increasingly, Russia's new heroes are its capitalists.

Moscow's bustling streets bear witness to the fact that Russia is in the grip of a cash fever. For the first time since the Bolshevik revolution thousands of Russians have become extremely wealthy, and although many of Russia's new capitalists work as hard as any Wall Street banker, after dusk they have none of the western bourgeoisie's inhibitions about flaunting their newly acquired riches.

The most bruised egos in Moscow today belong to foreigners, once the city's unchallengeable upper crust but now a pale shadow of Russia's new *biznesmeny*. A few years ago, only foreigners could escape the wretched Soviet world of queues and scarcity, but today they have begun to mutter about their enfeebled lot. "I can't dine in Moscow's best restaurants very often any more, only the Russians are rich enough to afford them," complains one British businessman.

One of Moscow's top pop radio stations recently replaced its American disc jockey with a Russian after advertisers said that their best customers were now locals. The English language billboards advertising western consumer goods which invaded Moscow a few years ago are steadily being replaced by Russian adverts.

Even western diplomats have begun to complain that the most beautiful Russian girls no longer grace their receptions, preferring to be fêted by Moscow's home-grown *nouveaux riches*.

Moscow's health clubs are dominated by muscle-bound Russians sporting gold chains. On Sundays they escort girls in skimpy bikinis and full macquiage to the Chaika swimming pool, once a foreign enclave.

The new assertiveness of Russia's elite was on display this weekend at Marika, one of Moscow's trendiest night clubs where the cover charge is a hefty 150,000 roubles ($70). This Saturday night, the American boys were on the defensive. The electronic message board flashed slogans in Cyrillic rather than in

Continued on Page 14
Letters, Page 13

China reaches breakthrough deal with Taiwan

By Laura Tyson in Taipei

A breakthrough in delicate bilateral talks between China and Taiwan yesterday helped the two countries reach their first substantive political agreements since nationalist Chinese forces fled the mainland in 1949.

Eight days of talks in Taiwan ended with agreement to repatriate airline hijackers and illegal immigrants, and on ways to resolve fishing disputes.

The leaders of both the Chinese and the Taiwanese delegations to the talks described their agreements as a "major breakthrough". A previous attempt to establish a political dialogue between the two countries in Singapore in 1993 failed.

This time, said Mr Tang Shubei, vice-president of the Chinese semi-official body that handles relations with Taiwan and Beijing's chief delegate at the Taipei talks, "both sides tried to understand the position and views of the other". The agreements would be signed at a later, unspecified date by more senior officials, the two negotiators said.

Under the agreements, hijackers will be repatriated and dealt with in accordance with the laws of their country of origin. Illegal immigrants may be repatriated within 20 days after identity has been established.

China has previously refused to recognise the jurisdiction of Taiwanese courts.

On the fishing issue, both sides agreed that government vessels from both sides should be able to mediate in disputes between fishing boats.

The breakthough appears to have been possible because both sides avoided addressing sensitive issues concerning sovereignty which have proved a stumbling block in past talks.

Beijing does not recognise the Kuomintang government on Taiwan, while Taiwan has consistently rejected Beijing's efforts to secure reunification.

However, the Taiwanese government is privately anxious to dispel any idea that a successful round of meetings might imply that the two sides are moving towards reunification, observers said.

Although the arrival of the mainland Chinese team in Taiwan was accompanied by sporadic protests, the suave Mr Tang, the highest-ranking Chinese official to visit Taiwan in 45 years, became so popular with the Taiwanese news media that the government felt compelled to warn newspapers and television not to cover him too closely.

Expectations ahead of the talks were quite low on the Taiwanese side. But Beijing, anxious to mend fences following the March 31 robbery and murder of 24 Taiwanese tourists in China, which plunged ties to the lowest level in years, apparently granted Mr Tang leeway to make concessions.

Bosnia Serb soldiers in training in northern Bosnia yesterday as the diplomatic isolation of the territory tightened. The Bosnian Serb leadership put itself on a war footing and ordered all able adults to report to work as the territory, which has been completely dependent on aid from Belgrade, became paralysed

Wellcome revises Aids attack

By Paul Abrahams in Yokohama

New combinations of medicines could restore the normal life expectancy of people infected with HIV, the virus that causes Aids, according to Dr David Barry, research, development and medical director, at Wellcome, the UK drugs group.

At the 10th International Aids conference, Dr Barry spoke yesterday of renewed hope that illness from HIV infection might finally be brought under control and that the benefit might be measured in decades rather than years.

Dr Barry argued that by treating HIV with three drugs simultaneously, the virus could be completely stopped from replicating itself. Without the ability to replicate, the virus would be incapable of mutating strains resistant to drug therapy, he explained.

Controlled by the medicines, the virus would also be unable to further damage the immune system. Indeed, the system could recover, leaving it free to prevent the opportunistic Aids infections, such as pneumonia, that kill Aids patients.

"This sort of triple therapy would not cure Aids or kill HIV, but it could allow us to keep the virus at bay, controlling the disease like diabetics control their condition with insulin," he said.

Claims for effective treatments

Continued on Page 14
Japan pledges Aids drive, Page 4

US group wins order for Tokyo computer

By Louise Kehoe in San Francisco

Cray Research of the US, the world's leading supercomputer manufacturer, has for the first time won a Japanese public sector order in direct competition with a Japanese computer company.

The sale, to the Japanese government-funded Tokyo Institute of Technology, represents a breakthrough after more than a decade of trade disputes over US allegations that Japan has discriminated against American manufacturers in its public procurement of supercomputers.

It also comes as the US is preparing to impose trade sanctions on Japan after failing to reach agreements on disputes over Japanese public procurement policies in the telecommunications and medical equipment sectors.

While the supercomputer purchase may be calculated to help defuse trade tensions, it could have the opposite effect by highlighting how long it has taken Cray to break down the alleged barriers to Japanese government purchases.

Despite two US-Japanese agreements on supercomputer trade, in 1987 and 1990, and the formation of a supercomputer procurement review board in Japan to ensure fair play, Cray has previously been unable to win sales to Japanese government agencies and institutions except when there were no bids from domestic competitors.

Moreover, it is not clear to what extent the sale to the Tokyo

Continued on Page 14

Panetta makes Whitewater plea to new counsel

By Jurek Martin in Washington

The White House urged the new Whitewater special counsel yesterday not to reopen investigations already completed by his predecessor.

Mr Leon Panetta, the chief of staff, said he hoped Mr Kenneth Starr would "not trample over old territory time and time again".

Mr Starr said he came to the job with "no preconceptions", but declined all substantive comment pending discussions due to start tomorrow with his predecessor Mr Robert Fiske, who has already cleared government officials of attempting to obstruct justice.

Mr Panetta also insisted that "at this point in time" President Bill Clinton retained full confidence in senior treasury and White House personnel, including Mr Roger Altman, the deputy secretary of the treasury. Mr Lloyd Cutler, White House legal counsel, said Mr Altman had been a key member of the team responsible for the current economic expansion.

Mr Altman's resignation has been demanded by several members of Congress – and yesterday in an editorial in the New York Times – because he had briefed the White House on the status of criminal investigations into Madison Guaranty. This is the now-defunct Arkansas savings and loans bank implicated in the real estate ventures and financial dealings of Mr and Mrs Clinton in their home state over the last 15 years.

Mr Starr, a federal judge appointed by President Ronald Reagan and later solicitor-general in the Bush administration, was named late on Friday to take over from Mr Fiske by a special judicial panel acting under the terms of the renewed independent counsel act.

The panel said it was not impugning Mr Fiske's integrity, but that the investigation should be conducted by someone not appointed by the administration.

The selection of Mr Starr comes as a disappointment to the White House, and not merely because it had no reason to be displeased with Mr Fiske's findings to date. A new independent counsel suggests a longer investigation, with a final report conceivably delayed until the 1996 presidential election year.

Last January Mr Starr was on the shortlist considered by Ms Janet Reno, the attorney-general, before she named Mr Fiske, a lifelong Republican. But some of Mr Starr's subsequent comments have been interpreted as hostile to President Clinton.

The circumstances of Mr Fiske's replacement by Mr Starr in the Whitewater case are also controversial. Last month, a group of rightwing members of congress wrote to Judge David Sentelle, head of the special panel, complaining about Mr Fiske, as did Mr Floyd Brown, an ultra-conservative activist.

Judge Sentelle, a Reagan appointee to the bench, bluntly refused to comment on whether these letters had played any part in the panel's deliberations.

Few tricks left, Page 13

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lw80.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50		
Cyprus	CE1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk8.90	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00		
France	FFr9.50	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500		
Germany	DM3.50	Lebanon	US$1.50	Portugal(m'land) Esc325		Turkey	L30000		
						UAE	Dh12.00		

CONTENTS

France to tighten security measures

By John Ridding in Paris

The French government said yesterday it was tightening security measures after a militant Algerian group warned of reprisals if France failed to free 17 suspected Moslem fundamentalists it has placed under detention.

The warning, which follows a crackdown by France on Moslem militants after last week's attack on a French embassy building in Algiers, raises concerns that the violent struggle between fundamentalists and the military-led Algerian government could trigger incidents in France.

The threat of reprisals was made in a statement issued at the weekend by the Islamic Salvation Army, linked to the Islamic Salvation Front (FIS). The FIS has been outlawed by the Algerian government, which in 1992 cancelled a general election the FIS was poised to win.

"The arrest and detention of these brothers means that France has declared war on the FIS and on Algerian Moslems," the statement said. "France should renounce this policy of belligerence or it will assume responsibility for what will happen."

France rejected the demand, but said it took the threat seriously. It said that security had been tightened at embassies, airports and railways, while random police checks on papers and identity cards were also increased.

The 17 activists, rounded up since Thursday, have been interned at an army camp in Folembray, to the north east of Paris. All have been served with expulsion orders. But the French Interior Ministry said they would not be returned to Algeria, in the interests of their own safety. They will be detained until a country is found willing to accept them, according to one government official.

The French crackdown has two aims; to demonstrate firm action following last week's attack in Algiers in which five French people were killed, and to send a message to Moslem activists that France will not tolerate the planning of guerrilla actions within its borders. The militant Armed Islamic Group, which is more radical than the FIS and its military wing, claimed responsibility for the attack.

France has criticised the failure of its western partners to take tougher measures against Algerian Moslem fundamentalists. The accusation has been rejected by Britain, Germany and the US. But the tough French line has highlighted differences in policy with its western partners, who see a greater role for dialogue with moderate Moslem groups.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.
FRANCE: Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.
DENMARK: Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

Chrystia Freeland begins a three-part series on the ex-Soviet republic

Ukrainians prosper as the state withers

Ukraine stirs

On paper, Ukraine is on the brink of economic collapse. Production fell by more than 40 per cent in the first quarter of this year. The government has no official budget, but if it keeps on spending at its current rate it will have a deficit of more than 30 per cent by the end of the year. Officials at the Ministry of Finance estimate hidden unemployment at 2.5m people.

But in defiance of these dire statistics, Ukrainians appear to be living quite well. The streets of Kiev and other big cities are jammed with flashy western cars and lined with new, well-stocked shops and expensive restaurants. The countryside, once squeezed dry to finance Soviet heavy industry, is now gripped by a construction boom as Ukrainian farmers replace their modest cottages with sturdy, three-storey brick houses.

"The people we talk to are absolutely flabbergasted at the difference between the image of Ukraine and the reality," says Mr Andy Bain, an American businessman based in Kiev, who believes that "right now in Ukraine you can buy attractive assets for pennies to the dollar."

"I keep asking myself what we're missing," admits a perplexed official from a western financial institution. "It's really a mystery how this country keeps on going." Part of the answer, he suspects is that "no matter how hard you try, you just can't turn this country into a Zaire."

One reason why official statistics are a poor yardstick for measuring the Ukrainian economy is that, 70 years after the Bolshevik revolution, one of Marx's promises is finally coming true: in Ukraine, the state is withering away.

In other east European countries, like the Czech republic or Estonia, the transition from communism to a market economy has been a fairly well-ordered process, guided by governments with clear plans for the future. But in Ukraine, the state, laboriously and bloodily constructed over seven decades of Soviet rule, is being dismantled by default rather than by design.

Thwarted by byzantine government regulations, Ukraine's nascent private sector – which according to the vastly conservative measure of official statistics accounted for more than 30 per cent of GNP in the first quarter of this year – is thriving by circumventing the state.

"Maybe this is a relic of the stubborn mentality of Ukrainian peasants," explains Mr Oleksandr Tkachenko, a Kiev journalist in his 20s who left a secure job with a western news agency to found a private television production company a few months ago. "We have a tendency to go ahead and build our houses and maintain our gardens no matter what the external circumstances."

Increasingly, Ukrainians like Mr Tkachenko are doing just that: toiling steadily in their own business patch despite a government which at times has seemed determined to create the worst business climate possible.

Ukraine's shambolic, frequently amended tax code can, depending on how you count, eat up more than 100 per cent of an enterprise's profits. Exporters, who ought to be a privileged group in a nation burdened by a negative trade balance, face particularly intimidating legislative obstacles: quotas restrict their room for manoeuvre, and the compulsory sale of half of hard currency revenues to the state at artificially low rates means exporters often come out making a loss.

But Mr Mikhail Chertkov, president of a financial company in Odessa, explains of regulations, "Those who are smart find ways around them, those who aren't have just stopped working."

At local level, where the government's writ runs weakest, market reforms are making the most headway. Over the past six weeks there has been a wave of small-scale privatisation in half a dozen of Ukraine's most progressive cities.

It was made possible, explains Ms Roberta Feldman of the International Finance Corporation, which advised on the project, when municipal governments found a way to work around Ukrainian legislation which blocked privatisation. Ms Feldman predicts that in the six cities where it is being employed this strategy will allow all small and medium-size enterprises to be sold to private owners by the autumn.

While the more agile private sector is quietly getting on with business, many of the state-owned behemoths which were the pride of Soviet central planners are dying a slow, lingering death.

Their executioner is Mr Viktor Iushchenko, who since January has been the author of a monetary policy which even western financial institutions describe as "draconian". Apart from a wave of new credits last month, granted primarily to farmers, Mr Iushchenko has simply shut down the printing presses. As a result, inflation, which at the end of 1993 was exceeding 100 per cent a month, is down to 5 per cent in June.

As Mr Iushchenko admits, this macro-stabilisation "is fragile because it is the result of monetary measures alone. Unfortunately, other economic reforms – restructuring, privatisation – did not occur to shore up these developments."

In the absence of more fundamental reforms, many Ukrainian factories are effectively going bankrupt: they keep their workers on the books, but have not paid them for months; theoretically still functioning, they have slashed production to almost nothing. These are the forces behind plummeting industrial production, but some businessmen think it no bad thing. "Our state officials would never intentionally kill the big state enterprises but unintentionally that's what they've been doing," explains Mr Chertkov. "We have a Darwinian struggle for survival of the fittest."

The challenge for Ukraine's new president, Mr Leonid Kuchma, if he hopes to make good his pledges to his people – and recently to the International Monetary Fund – to reform the Ukrainian economy, will be to resist the temptation, to which, as a former factory director he may be particularly prone, to revive his country's dying industrial dinosaurs.

Instead, he must, as he has promised, remove government impediments to the growth of the resilient private sector and to the survival of those state enterprises able to adapt to the market. If he does, he may find Ukraine prosperous enough to support those people who will become formally unemployed when inefficient state factories close their doors.

A Ukrainian nationalist rips a campaign poster for Kuchma off a wall before the election, because it was written in Russian. AP

Relief as Iri finds a new chairman

Robert Graham on differences within the Italian coalition over privatisation

There has been a collective sigh of relief within Iri, Italy's giant state holding company, over the appointment of Michele Tedeschi as the new chairman.

The appointment of a new board for Iri, the holding company founded in the 1930s under Mussolini and the symbol of state presence in the economy, has highlighted the spectrum of opinion on the state's economic role held by the different members of the Berlusconi government.

The 54-year-old new boss has spent all his working life in various parts of Iri. Only 14 months ago, he was switched from being Iri's chief executive to head Stet, the telecoms utility, making way for Prof Romano Prodi – whom he now replaces. "We could feel the government was undecided over how to replace Prodi," observed a senior IRI official. "What we feared most was an outsider who would take long to learn the ropes at a time when IRI is focusing on delicate privatisation issues."

It took the Berlusconi government two months to decide on a replacement for Prof Prodi, who resigned in May, and the appointment of Mr Tedeschi was a last-minute compromise within the right-wing coalition. The compromise is the outcome of a tortuous attempt to find a consensus in the government between two different approaches to the future of Iri.

At one extreme were those like the members of the populist Northern League who regard the state holding as wholly irrelevant to a modern market economy. They believed Iri should be wound up as soon as possible through an accelerated process of privatisation and debt write-offs. At the other end of the spectrum, the neo-fascist MSI/National Alliance was reluctant to see Iri disappear, especially in economically depressed southern Italy. The MSI felt a state holding had an essential role in certain strategic sectors such as defence and other areas of high technology.

In the middle of these contrasting approaches, the government's economic team took a more sanguine view. They saw their priority as improving the precarious state of Iri's finances and giving the right signals to the markets on continued privatisation – especially telecoms, next on the list. In this it is significant that Mr Tedeschi has a long experience in the telecommunications sector and comes directly from helping to prepare the Stet privatisation.

The new six-man board reflects the sense of political compromise by containing elements of all these views. The treasury, the ministry with the most powerful say, has ensured that Mr Mario Draghi, the director-general and a key figure on the previous board, remains. His experience will reinforce the sense of continuity. The prime minister's Forza Italia movement has placed as its candidate Mr Diego Della Valle, the 41-year-old head of the highly successful Tods shoe group. His appointment is the first occasion a real entrepreneur has been allowed near Iri's decision-making process.

The MSI succeeded in nominating two board members sympathetic to the movement's ideals – Mr Roberto Tana, a company executive, and Mr Giuseppe Urciuoli, a southern industrialist. The League is represented by Mr Enrico Zanelli, a northern corporate lawyer, while the minor partner in the coalition, the Christian Democratic Centre, has a voice through the sixth board member, banker Mr Piero Gnudi.

The more intriguing question is whether Mr Tedeschi will have a free hand to formulate policy or whether he will be tied by the conflicting tensions within the coalition. The first signs are that Mr Tedeschi wants to get his own way and he has proceeded quickly to place his nominees in Stet. The broad outlines of Iri's restructuring he planned himself anyway almost two years back. These were then refined and hastened by Prof Prodi.

Under Prof Prodi the process of slimming Iri began in earnest. Within the last year it has sold the bulk of its financial/banking assets (Credito and Comit), privatised most of SME, the agro-industrial group, and split the loss-making Ilva, with special steels just sold to a German-Italian consortium. Asset disposals for 1993-1994 are due to bring over L3,700bn (£1.53bn), part of which has already been used to reduce the debt stock.

The main immediate problem remains financial. Iri last year recorded losses of L10,191bn on a turnover of L80,000bn. This was due to a combination of the cost of servicing L75,000bn in debt and the restructuring of steel (Ilva), shipbuilding (Fincantieri) and civil construction business (Iritecna). This restructuring, plus privatisation revenues, should cut 1994 losses to L1,360bn. However, some L20,000bn of debt is still considered at risk. The rest has been mainly contracted by strong cash-flow members of the group – Stet, and its autostrada division.

In his first comments Mr Tedeschi, said this week: "In parallel with improving Iri's finances, one must speed up and go on with privatisation – whether those on the table like SME and Ilva at Taranto [flat steel products] or those which must be quickly made operational, particularly Stet."

Knowing Iri from the inside means he can start work immediately. But such knowledge will not necessarily help him navigate the political minefields ahead. In the case of the remaining SME privatisation – GS-Autogrill supermarkets and autostrada restaurants – political differences have already surfaced. Last month the sell-off was postponed until September because the MSI raised objections over the pricing.

But behind this move lies MSI's broader concern over the break-up of the Iri empire. This is also evident in MSI's anxiety to avoid Alitalia, the national carrier controlled by Iri, passing out of direct state control. The neo-fascists find more support for their corporatist philosophy when it comes to discussing the defence industries and high technology which are now concentrated in Finmeccanica, the industrial and financial holding.

Here it would probably be fair to say that a majority in the government still instinctively likes the idea of a state presence in the businesses controlled by Finmeccanica. In other words, Mr Tedeschi is unlikely to become a glorified liquidator of Iri. Rather, he will preside over the slimming down and refining of the state holding's presence in the economy, and privatisation will not always mean the surrender of state control of management.

INTERNATIONAL NEWS DIGEST

SPD pledges to shift German taxation burden

Germany's opposition Social Democrats will cut taxes for the low-paid but introduce a supplementary 10 per cent increase for higher income earners if they win the next election, Mr Oskar Lafontaine, the SPD's main economics spokesman, said yesterday. The federal elections are due to be held on October 16. In an interview with Bild am Sonntag, Mr Lafontaine said an SPD government would also raise energy taxes and abolish the 7.5 per cent solidarity surcharge on income tax, easing the burden for 80 per cent of taxpayers. This tax was imposed by Chancellor Helmut Kohl's governing Christian Democrats to help finance the cost of German unification. The SPD, which is trailing the CDU by eight percentage points in the opinion polls, is trying to attract the lower paid as well as environmentalists. But its decision to impose an extra tax burden on high income earners was criticised when the SPD unveiled part of its economic programme earlier this year.

Mr Lafontaine said lower taxes would be financed in three ways. Married couples earning over DM120,000 (£49,600) a year, or DM60,000 for single people, would pay "a supplementary charge of 10 per cent... which would produce about DM25bn". This amount, he said, would finance the cost of abolishing the solidarity surcharge. Energy taxes for petrol, electricity and gas would be increased, but Mr Lafontaine did not say by how much. In addition, tax breaks for married couples would be reduced, raising an additional revenue of DM11bn. *Judy Dempsey, Berlin*

Brazilian inflation falls

Brazil's monthly inflation rate fell from 50 per cent in June to 7 per cent last month following the introduction of a new currency, according to Fipe, a leading research institute. Although the rate is slightly higher than most economists expected, it was partly caused by a carry-over of inflation in the old cruzeiro real currency at the end of June as well as by frosts, which pushed up food prices. The new Real currency, which is part of a government anti-inflation plan and linked to Brazil's foreign exchange reserves, was introduced on July 1. Economists are generally optimistic that the new currency will keep inflation down in the short term, at least until presidential elections in October-November, and are forecasting a rate of 1-2 per cent for August. This is expected to benefit the presidential campaign of former finance minister Mr Fernando Henrique Cardoso, who negotiated the currency plan through congress. Mr Cardoso, the centre-right's candidate, is currently neck-and-neck in the polls with Mr Luiz Inácio Lula da Silva of the left-wing Workers' party. *Patrick McCurry, Sao Paulo*

Rome launches TV campaign

Italian media magnate turned Prime Minister Silvio Berlusconi's government has launched a TV advertising campaign to try to improve its battered image. The first of the 45-second slots, accompanied by the slogan "Facts which citizens should know to exercise their rights", was broadcast on Saturday and outlined the achievements of the right-wing coalition government since its election in March. Mr Berlusconi already controls three private television channels which opponents say he exploits for his political ends. Italian law allows the government to use the media to publish information of "social relevance" but the advertisements have sparked a row over political bias. The opposition has demanded a similar platform. Mr Mauro Paissan, a member of the opposition and vice-president of the parliamentary commission on RAI (state radio and television), criticised Mr Berlusconi. "These advertisements that Berlusconi has made are propaganda in favour of the government and of no help to the citizen at all," he told Sunday's La Repubblica newspaper. The government has just weathered a storm over the use of preventive detention custody and conflicts of interest stemming from Mr Berlusconi's continuing ownership of Fininvest, the holding company which groups his many business interests. *Reuter, Rome*

Trawler held after clash

An Icelandic trawler was held in the Norwegian port of Tromso last night after a violent clash in Arctic waters with Norwegian coastguards on Friday over disputed cod fishing rights. Norwegian authorities were set to bring charges against the crew of the Hagangur 2 which they accused of firing shots at coastguard officers attempting to stop the trawler fishing in Norwegian-controlled protected waters off the Svalbard islands in the Barents sea. The coastguards fired blank shells at the Icelandic ship during a subsequent chase before boarding it and escorting it to Tromso. The Icelanders denied firing directly at the coastguards. It was the most serious clash to date in a long-running dispute in which Icelandic fishermen facing diminished cod stocks in home waters are seeking quotas in the Svalbard area and in another protected zone jointly controlled by Norway and Russia called the loophole. *Hugh Carnegy, Stockholm*

Threat to airline's services

Workers at Ireland's state-owned flag carrier Aer Lingus threatened yesterday to disrupt flights next week, stepping up a dispute over dismissals and cost-cutting. Maintenance workers at the airline's TEAM Aer Lingus subsidiary are due to meet today to discuss strategy after talks with the company and mediators fell apart. Union leaders said they expected the meeting to authorise further action. About 18 flights were delayed at Dublin airport for up to two hours on Saturday when maintenance staff walked off the job. Ireland's Labour Court has said it will investigate the row over attempts to save money in the maintenance division, where 1,300 people have been dismissed. Unions are refusing to accept a package of redundancies and a 28 per cent pay cut as part of plans to save I£8.4m (£8.3m) a year in government subsidies to the loss-making airline. *Reuter, Dublin*

Euro-fighter cost queried

Germany's opposition Social Democrats yesterday said the European fighter aircraft, a joint project between Germany, Britain, Spain and Italy, should be scrapped because of soaring costs. But in an interview in Die Welt am Sonntag Mr Volker Rühe, defence minister, continued to defend the aircraft, which is already behind schedule by two years. Ms Ingrid Matthäus-Maier, deputy parliamentary leader of the SPD, said the taxpayer would have to provide an extra billion D-Marks if the project goes ahead. The federal audit office last month calculated that the price of each aircraft has already increased to DM150m (£62m) instead of earlier estimates by the Defence Ministry of DM90m. The SPD has consistently argued against the project following the end of the cold war and the demise of the Warsaw Pact. But supporters of the aircraft say it will meet western Europe's air defence needs well into the next century. Mr Rühe is also under pressure from Deutsche Aerospace, which is developing the Eurofighter. Dasa is seeking DM1.2bn more to fund the project. *Judy Dempsey, Berlin*

Cholera outbreak in Russia

Eleven people have now died from a cholera outbreak in southern Russia, a health ministry official said at the weekend. Mr Vasily Agapov, deputy minister of health, told the Itar-Tass news agency that 256 cases of cholera have now been reported in the Dagestan region of Russia in the Caucuses. Five towns in the area have been put under quarantine, bus routes to other regions have been cancelled and air and rail travel has been restricted. However, one person, believed to have contracted the disease in Dagestan, has already died of cholera in Moscow. The outbreak of cholera, a disease historically so prevalent in the country that "cholera" is a common curse in spoken Russian, is the most recent of a wave of infectious illnesses in the former Soviet Union. *Chrystia Freeland, Moscow*

Violence overshadows Christopher's Mideast mission

US tries to calm tensions

By Julian Ozanne in Jerusalem

Mr Warren Christopher, US secretary of state, tried to calm tensions between Syria and Israel yesterday after a weekend surge of violence on the Israeli-Lebanese border overshadowed his current Middle East peace shuttle.

The renewal of Arab-Israeli violence comes in spite of dramatic recent peace moves between Israel and its neighbours, crowned today by the opening of a new Red Sea border between Israel and Jordan.

Pro-Iranian Lebanese guerrillas of the Hizbollah killed two Israeli soldiers at the weekend in Israel's self-declared security zone in southern Lebanon and fired salvos of rockets into northern Israel which slightly wounded three children. The Hizbollah attacks came after Israeli jets bombed an apartment building in south Lebanon on Thursday killing seven people.

Israel and Syria yesterday traded accusations. Syria said Israel had stepped up its military attacks in south Lebanon in order to sabotage Mr Christopher's efforts to break a deadlock in Israeli-Syrian peace talks. "The escalation in south Lebanon is a firm proof that Israel is trying to direct a severe blow to the US efforts aimed at rescuing the peace process," said the official Syrian daily Tishreen. "The one who wants peace does not kill peace with bombardment and does not resort to destruction and massacres."

Israel earlier accused Syria of not preventing attacks by Hizbollah in southern Lebanon. "It is clear the Syrians, if they want, are able to influence the Lebanese government to constrain the activities of Hizbollah," said Gen Ehud Barak, Israeli army chief. "Unfortunately, they don't want to do it until now. As long as they are not doing it we are determined to keep fighting."

Mr Christopher met Mr Rabin and Mr Shimon Peres, Israeli foreign minister, in Jerusalem before flying to Damascus yesterday for talks with Syrian President Hafez al-Assad. He said he had intervened to prevent an escalation of violence which "underscore the need for a peaceful resolution of these problems".

Despite the hostilities Mr Christopher remained cautiously optimistic about making incremental progress in stalled Israeli-Syrian peace talks, which focus on a return of the Israeli-occupied Golan Heights in return for peace.

Israeli officials said Mr Christopher was pursuing possible detailed scenarios of the timetable and phases of an Israeli withdrawal from the Golan and what security measures, such as demilitarisation, would be taken at what stage. Publicly, however, Syria insisted that there would be no progress until Israel stated clearly that it would withdraw fully from the Heights.

Mr Christopher also presented Israel yesterday with a list of demands from Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, whom he met in Egypt on Saturday. The list included demands to speed implementation of the Israeli-Palestinian peace accords such as Israel releasing more Palestinian prisoners and making smoother arrangements at border crossings.

Mr Christopher will attend an Israeli-Jordanian border ceremony today, 3.5km north of Eilat.

A bomb exploded on a street corner near a Tel Aviv-area cemetery yesterday, injuring the suspected bomber, security sources and witnesses said, Reuter reports from Tel Aviv.

They said a youth was carrying a bomb by a cemetery in the suburb of Givatayim when the explosive blew up in his hands.

Police said two other bombs were found in the cemetery and defused. They said the motive for the bombing was unclear.

An Israeli soldier prepares the border crossing with Jordan Reuter

Israel on brink of trade conflict with EU

Anger is mounting over Europe's refusal to make concessions, writes Julian Ozanne

Israel may be making peace with Arab states but it seems on the brink of trade conflict with the European Union.

In recent days Israeli officials have bitterly attacked the EU, its main trading partner, for a "complete lack of political vision" in negotiations over a new free trade agreement and threatened to take trade sanctions and switch public procurement from European to US companies.

Officials negotiating the new accord aimed at reducing Israel's $5.7bn trade deficit with member states say the EU has refused to make concessions which recognise the political and economic sacrifices Israel has made to achieve Middle East peace.

Israel's campaign to be granted a special status with vastly improved access to research and development programmes and agricultural markets has been blocked in two rounds of negotiations earlier this year originally aimed at completing a new agreement by December.

Rabin: threats of public procurement switch

Israel says it deserves a special agreement tailored to its developed economy in recognition of the economic concessions it is making to Arabs - such as opening its agricultural market to Palestinian produce - as part of the Middle East peace accords.

"We are not asking the EU to contribute to the political and economic stability of the new Middle East by granting us jets and tanks but by giving us access to their markets," said Mr Oded Eran, the co-head of the Israeli negotiating team. "We are asking them to have the vision of the US to recognise the political and economic risks we are taking for peace and to allow us to be more bold in future talks and economic arrangements with Arab neighbours."

Israeli frustration at EU obstruction led Mr Yitzhak Rabin, the prime minister, to warn recently that unless the EU showed more flexibility in trade negotiations, Israel would consider switching some of its public procurement away from the EU and flexing its "tremendous purchasing power". Israel's public procurement programme is worth $6bn a year, a significant part of which goes to buy goods and services from EU states.

Officials also said the government could consider giving incentives to the private sector to import from non-EU states. Total imports from the 12 EU members and the four associate members last year was more than $11bn.

Mr Rabin is known to be particularly angry and impatient about the EU's opposition to Israel's demands. Other Foreign Ministry officials play down the row and the threats and say a favourable agreement will be concluded.

"We are merely looking for a free opportunity for our exports into the backyard of our economy and with our natural ally," Mr Uri Savir, foreign ministry director general, said yesterday.

"Jacques Delors spoke about Israel's special place in Europe and I believe, despite the problems, Israel is more pro-Europe and Europe is more pro-Israel than ever before."

Israel says new EU agreements with Eastern Europe and Magreb states, and changes in Israeli production have eroded the concessions of the existing 1975 agreement or made them obsolete.

Jerusalem is seeking concessions in five major areas – research and development; flour exports; citrus fruits; competition for EU public procurement tenders in communications, and a revision of the rules of origin to expand Israeli high-tech and textile exports into the EU market.

Mr Eran says the greatest disappointment is in research and development where Israel is seeking to participate in the EU's "Fourth Programme". The Commission originally recommended Israel be granted "Full Association" of the programme but the move has been blocked mainly by France but also by Britain, Belgium and Ireland.

Israel says it deserves entry to the programme because it invests 3 per cent of GDP a year in research and development. It is also prepared to pay the full entry fees of $25m-$30m a year.

In the flour sector Israel is seeking an increase in its preferential quota of exports from 19,000 tonnes to 30,000 tonnes a year. In agriculture it wants an improvement in the trade of fresh and processed products a shift in existing quotas to new products not covered by the 1975 agreement.

Israel would also like a relaxation in the EU rules of origin and an agreement on a mutual recognition of standards, tests and certificates to allow greater access of Israeli textiles and high-tech products. Israel also wants its companies to be able to compete for public procurement contracts in the communications sector and says the EU's demand for opening all sectors of public procurement to mutual competition would worsen its trade deficit.

Liberals back in Quebec election race

Robert Gibbens and Bernard Simon on the campaign trail

The election campaign which could determine Quebec's future role in Canada is turning out to be more closely fought than many political observers predicted.

When Mr Daniel Johnson, Quebec's prime minister, called the September 12 poll two weeks ago, his ruling Liberal party had been all but written off to win a third successive term. The Parti Québécois, whose main goal is to lead the francophone province to sovereignty, was far ahead in public opinion polls.

It was widely assumed that Mr Johnson, who took office only last January, would be unable to turn things around with his diffident style and a new, inexperienced team.

But those who dismissed Mr Johnson are having to eat their words. A poll published over the weekend indicates that the Liberals have made strong gains in the past fortnight. According to the poll, conducted by the Centre de Recherche sur l'Opinion Publique (CROP) in Montreal, support for the PQ among decided voters has dropped in the past fortnight from 52 per cent to 48 per cent, while the Liberals have climbed from 42 per cent to 46 per cent.

If the election were held now, the PQ would probably still win a sizeable majority of seats in the National Assembly. Much of the Liberals' support is concentrated among English-speaking and immigrant communities around Montreal.

On the other hand, the CROP poll suggests that many rural, francophone voters have begun to have second thoughts about the PQ.

Although the Liberals' campaign has lacked sparkle, it has shone in comparison to the separatists'. Mr Jacques Parizeau, the PQ leader, began by attacking Canada's "strait-jacket" federal system, saying Quebec could assure its social and economic future best by breaking away.

If the PQ won the election, it would immediately pass a National Assembly resolution proclaiming the goal of separation and begin talks with Ottawa about ways to achieve this. A referendum on independence would follow within 10 months.

But polls consistently show that while voters favour a change of government, they are far from wanting separation or independence. Most Quebec voters are worried by the prospect of losing their Canadian passports, their federal pensions and unemployment insurance cheques, and possibly the Canadian dollar.

A new PQ platform stresses "sovereignty", which to most Quebeckers implies something less than full independence.

Mr Parizeau has repeatedly had to paste over divisions within his own party. Some of his trusted lieutenants have said a PQ government cannot start the machinery of separation before the voters make their choice in a referendum. But this contradicts the party platform and Mr Parizeau's own promises.

Among those presenting a more gradual approach to independence are Mr Lucien Bouchard, the charismatic leader of the Bloc Québécois, the federal counterpart of the PQ which became the official opposition in the federal parliament in Ottawa in last year's general election.

Mr Bouchard joined the election campaign last week. One senior Liberal says Mr Bouchard's job is to play the "good guy" in the PQ campaign. Though he is unabashedly dedicated to Quebec independence, he says the Quebec election "should be the first step towards what will come afterwards, the referendum".

Mr Parizeau also invited ridicule when he claimed to have obtained "private assurances" from US officials that Washington would back an independent Quebec's accession to the North American Free Trade Agreement. The US State Department quickly insisted that no such assurances had been given.

Other PQ candidates have touched politically sensitive nerves by suggesting that an independent Quebec could replace the Canadian dollar with the US dollar as its currency, and that French-only language laws would be stiffened after a PQ victory.

Mr Johnson has seized on these inconsistencies. "Who's in charge?" he asks rhetorically. The Liberals have tried to hammer home the message that the best way to create jobs is for Quebec to remain part of Canada. A PQ win, the Liberals argue, would generate months if not years of economic uncertainty.

In the run-up to the election, the Liberal government has backed the reopening of two big pulp mills in PQ strongholds, and has supported other industrial plants with loan guarantees. Closer to grass-roots, it has introduced measures to force recalcitrant spouses to make child-support payments on time.

The latest poll clearly shows that these tactics, coupled with the PQ's gaffes, are turning the tide towards the Liberals. But Mr Johnson still has a long way to go.

Mercosur pact on customs

By John Barham in Buenos Aires

The four member countries of South America's Mercosur trade pact have agreed on a compromise formula allowing the creation of a customs union on January 1 1995.

The presidents of Argentina, Brazil, Paraguay and Uruguay signed on Friday at a summit in Buenos Aires documents establishing a common external tariff structure that will come into effect next January.

The four overcame a long-standing dispute between Argentina and Brazil over common tariffs by agreeing to tariffs of 0-20 per cent for nearly all their imports.

They also compromised over protection for the high-tech goods that comprise 15 per cent of their trade. Brazil wants to protect its struggling telecommunications, computer and capital goods industries with high tariffs, whereas its three partners want to import these products as cheaply as possible.

Disagreement over tariffs, plus Brazil's inability to stabilise its economy and Argentina's informal request to join the North American Free Trade Agreement (Nafta) last year, threatened to disrupt establishment of Mercosur.

However, Presidents Carlos Menem of Argentina and Itamar Franco of Brazil agreed on Friday that each country would continue applying separate tariffs for high technology goods until next decade, when all four countries would introduce a common tariff of 14-16 per cent.

Each country will also be able to draw up a list of 300 products exempted from Mercosur's free trade rules. This protection will gradually be eliminated by 2001.

Clashes break out in Havana

Thirty-five people, including 10 policemen, were injured in street clashes in Havana, the Cuban capital, last Friday in which a crowd throwing stones clashed with police, the Sunday newspaper Juventud Rebelde said, Reuter reports from Havana.

Those injured included a policeman who suffered serious neck injuries after being hit by stones and beaten, and a member of a civilian law enforcement brigade who lost an eye when he was hit by protesters. Police fired during the disturbances, but apparently in the air and it was not clear if live bullets were used.

The clashes along a stretch of Havana's Malecon seafront drive were the most serious disturbances in Havana for decades. The newspaper said that "important groups" of those involved in the unrest were in detention and would be tried and punished with severity.

President Fidel Castro has blamed the unrest on the US, saying it wants to create disorder in Cuba and dubbing those involved in the clashes Washington's "fifth column" against the revolution.

The disturbances were linked to the hijackings of three ferry boats from Havana bay towards the US in the space of nine days.

Authorities called on citizens to attend a gathering in Havana's Revolution Square yesterday evening in homage to a policeman who was killed in the last of these hijacks.

Mexican rebels stage assembly as poll nears

By Damian Fraser in San Cristóbal de las Casas

Some 6,000 delegates and observers from Mexico's main radical and leftist political groups set off for the Lacandón jungle in the southern state of Chiapas yesterday to participate in a self-styled convention of democracy convened by Zapatista insurgents.

The convention was called by Sub-Comandante Marcos, the Zapatista spokesman, after the rebels rejected the government peace proposal for a resolution to the eight-month old Chiapas conflict.

The Zapatistas launched their rebellion in the impoverished southern state of Chiapas on New Year's Day.

Mr Marcos has said the delegates will discuss the need for a transitional government, a new constitution, and a peaceful movement to democracy.

A preliminary round of talks began on Saturday in the city of San Cristóbal de las Casas. In highly disorganised sessions, delegates generally read out prepared speeches late into the night, mostly supporting Zapatista demands for an end to rule by Mexico's Institutional Revolutionary Party and establishment of a transitional democratic government.

The convention has been dismissed by many as an exercise in propaganda by Mr Marcos, who commands a force of a few thousand poorly armed peasants based in the Chiapas jungle, which is encircled by the Mexican army. The government has done nothing to prevent the event going ahead, insisting that the meeting and delegates pose no threat to national security.

Even some of those present sought to play down its significance. Mr Pedro Moctezuma, an aide to presidential candidate Mr Cuauhtémoc Cárdenas of the opposition Party of Democratic Revolution, attending as an observer, described the meeting as an exercise in "verbal therapy" for the left.

Nevertheless the convention has put Mr Marcos at the centre of the political stage less than two weeks before the presidential election on August 21. Some are concerned he will use the event to unite radical groups around him to protest against the election results. Mr Ernesto Zedillo, the candidate of the ruling PRI, is well ahead in opinion polls and is strong favourite to win.

Many of the delegates said the real objective of the assembly was to press the government into holding fair elections, and to prepare a common response if fraud is detected. But those interviewed disavowed violence, claiming, as Mr Marcos has said in recent interviews, that the convention is intended to prevent Mexico sliding into civil conflict.

"We believe that Mexico is at a turning-point," said Mr Javier Estrada, a 34-year-old teacher who travelled 70 hours in a bus from the central state of Zacatecas to reach the convention. "We are here to show that civil society wants a free election and is prepared to act to get it. But we have to avoid armed struggle."

Each delegate supposedly represents a popular organisation made up of a handful to several hundred people, giving them a little more influence than their small numbers suggest. The large majority seem to support the presidential candidacy of Mr Cárdenas, who has sent observers to the convention but is keen to maintain his distance from it.

The response to the first day of talks was mixed. "It was absolutely awful," said one writer present as an observer. "It was a diatribe of leftist, populist rhetoric." However, others claimed to be inspired by the experience. A member of a dissident oil union said that "after 65 years of [one party rule] we are going back to political school".

The convention delegates will be living rough in the Lacandón, where there is no accommodation for them, running water, electricity or sewage facilities. The organisers will not let anyone leave the convention until it ends, probably on Wednesday, and have imposed a news black-out until final declarations are made.

INTERNATIONAL PRESS REVIEW

A bone to chew but not much red meat

IRELAND

By John McManus

Ireland's press seized the opportunity to probe the weaknesses of the country's centre-left coalition government following publication of a report last week into the Irish beef industry.

Despite attempts by the government to play down the report ahead of its publication, expectation was high in Dublin that the three-year inquiry – which had already contributed to the downfall of one government in 1992 – would be critical of the role of Mr Albert Reynolds, the prime minister, for granting I£100m (£99m) of export credit insurance for beef exports to Iraq more than six years ago.

Irish papers had all dutifully carried statements from Mr Reynolds – ahead of the report's publication but after it had gone to the government – that he had been "totally vindicated", that he had "acted in the national interest" and that "there was no political favouritism in his decisions".

However, there was still the possibility that the Fianna Fail-Labour coalition, already weakened by a series of minor political embarrassments, might break. Mr Reynolds' statement, issued by the government spokesman, intensely irritated the deputy prime minister, Mr Dick Spring, who leads Labour, the junior coalition party.

In a late-night phone call to the *Irish Times* from his home in Tralee, County Kerry, after the release of Mr Reynolds' statement, Mr Spring made it clear that it did not reflect the view of the government collectively.

Albert Reynolds (left) vindication less than total. Dick Spring: moved to heal rift

Thus the scene was set. Leaks to the mid-market broadsheet *Irish Independent* seemed to back Mr Reynolds' verdict on the report, but the truth would only be known last Tuesday afternoon when the media received copies of the 1,400-page report.

Mr Reynolds' vindication turned out to be something less than total. "While it does indeed clearly uphold Mr Reynolds' integrity by quashing suggestions that he acted for improper motives, it contains strong criticism of the manner and the effect of the decisions on export credit insurance, which he took in 1987 and 1988," reported the Irish Times.

Interest was focused on Mr Spring's response. After all, it was questions in the Irish parliament by Mr Spring and others that had led to the inquiry in 1991. The deputy prime minister's 1,000-word response was scoured for any direct criticism of Mr Reynolds. However, all that could be found was some implicit blame in a sentence describing the export credit insurance affair as "a major failure of public policy... a policy disaster".

Strong words, but unlikely to bring the government down: "Hardly the words of a man planning to go it alone," pointed out the Irish Times in its editorial on the report. The Irish Independent saw them as potentially more serious, remarking in its editorial yesterday: "It is inconceivable therefore that political relations between the two men will ever be the same again or that the coalition can be anything but a very shaky structure from now on."

On the Wednesday immediately after the report's publication, both Mr Reynolds and Mr Spring moved publicly to play down the possible damage to the coalition from the report. However, their efforts were frustrated by the chairman of the Labour party, Mr Jim Kemmy, who told the Irish Times that the report would have "serious implications" for the coalition and that the whole issue of the Labour party remaining in coalition would have to be discussed at a parliamentary party meeting later this month.

But it got no worse than that. By Thursday the Fianna Fail leading daily tabloid, the *Irish Press*, had splashed: "Beef: we stay together" across its front page, reporting that Mr Spring had moved to heal the rift between the two parties.

By the end of the week, front-page tension had shifted to the death of three racehorses at a beach race meeting north of Dublin and public anger was being vented on the fact that Goodman International, the beef processor at the centre of the inquiry, was likely to avail itself of the general tax amnesty to avoid paying penalties on tax underpayments uncovered during the inquiry, which had cost Irish taxpayers about £30m.

By yesterday it all appeared to be over, with the *Sunday Business Post* claiming: "Senior Labour sources say the party would have no difficulty in voting confidence in the Taoiseach later this month when the Dail meets to debate the outcome of the beef tribunal."

A month is an eternity in politics, particularly the peculiar brand practised on this island, but the whole beef tribunal report seems to have fitted nicely into what the Irish Times described in its editorial of the day before the report's publication as "the by now familiar model of the Labour-party-in-outrage-for-a-while. First the angry invocation of the party's separate and distinct position; then the hint of threats to match the sense of outrage; later the announcement that, having looked into the matter, everything appears to be alright."

Japan pledges Aids drive

Gordon Cramb reports from Yokohama on a coup for Tokyo's health ministry

Crown Prince Naruhito addresses the 10th international conference on Aids yesterday Associated Press

Japan must strengthen its Aids prevention programmes because public health is a "foundation of social and economic development", the country's prime minister, Mr Tomiichi Murayama, said yesterday.

He was speaking at the opening of the 10th annual international conference on the disease, being held this week in Yokohama, near Tokyo. Crown Prince Naruhito, also in attendance, added his "fervent desire that the not too distant future will see all Aids-related problems resolved" in Japan and the rest of the world.

To have drawn both head of government and heir to the Chrysanthemum Throne to speak on a subject many western leaders have shunned represents a coup for the Japanese health ministry, which has been co-ordinating domestic organisation of the conference. More than 9,600 delegates are participating, about half from outside Japan. It is the first time the conference has been held in Asia, which scientists say will soon have more new infections with the HIV virus than any other continent.

Hundreds of thousands have already contracted HIV in countries such as India and Thailand. Fewer than 4,000 in Japan have tested HIV positive, and most public hospitals maintain they are not equipped to treat Aids symptoms. Mr Murayama, who has been in office barely a month, pledged no particular measures beyond a commitment to work with other countries in dealing with the problem.

"When one thinks of the needs of the people living with Aids, waiting eagerly for the earliest possible establishment of care strategies, and of the efforts by those who offer support for these people, we have to strengthen our national programmes for the prevention and care of Aids and further promote international co-operation," he said.

Within Japan, however, the event itself promises to change attitudes. Press and broadcast media have been running daily features on HIV as a Japanese as well as global issue, and the arrival at the Yokohama venue yesterday of prince and premier will contribute to Mr Murayama's expressed desire for a "mitigation of social prejudice" about the disease.

A survey of 210 Osaka-based companies released last week showed that more than half would have no idea how to react to an HIV positive employee and only a tenth had conducted any Aids education for managers or workers. Although the health ministry has committed Y10.86bn (£71m) in the latest year to combating the disease, the Y150m it has spent on the conference may repay a greater dividend.

National television footage last night showed Prince Naruhito and Mr Murayama sharing the platform, and a quiet word, with Mr Toshihiro Oishi, aged 25, the Japanese representative of the Global Network of People Living with HIV and Aids, an organisation which calls itself GNP+ for short. In their presence Mr Oishi told the conference he was gay, HIV positive, and that "Japanese society is still far from being empathetic."

But Japan has made a start. The government is attempting to set aside some sexual taboos in order to ensure that the GNP it cares most about regains a plus-factor at the end of the country's longest post-war recession.

Wellcome sees new hope

By Paul Abrahams in Yokohama

The world's leading supplier of medicines for Aids and HIV, Wellcome, yesterday effectively admitted its second-top selling treatment, the controversial AZT, would no longer be prescribed on its own.

"The era of monotherapy for the treatment of Aids and HIV is over," Dr David Barry, research, development and medical director at Wellcome, told the 10th International Aids conference in Yokohama. HIV, the virus that causes Aids, mutates so rapidly that eventually it develops resistance to all anti-retroviral medicines when they are administered on their own, he says. AZT is the world's top-selling HIV and Aids treatment.

However, Wellcome's admission is not the end of the AZT story. Dr Barry is now proposing AZT should be used simultaneously with at least two other drugs. "We're talking about three drugs – three magic wands. New data about combinations of medicines are giving rise to a renaissance of hope for the control of this disease."

This hope is based on at least two studies involving three drugs, including AZT, which Dr Barry presented yesterday. These trials demonstrate that the medicines can completely stop HIV, the virus that causes Aids, from replicating. They would not destroy the virus, which would remain in the body, but it would be controlled by the drugs. Dr Barry believes the drugs may work together, possibly halting different parts of the virus's life-cycle and possibly attacking the virus in different parts of the body.

Wellcome and Dr Barry are anxious not to be over-optimistic. "We have not yet tried to repeat the test-tube data in humans," he stresses. "But it appears that two drugs are better than one, and three drugs are better than two. With three drugs, we appear to reach a threshold. This was true of tuberculosis, when researchers 40 years ago discovered three drugs were required to defeat the disease, and it's probably true for HIV."

'We're talking about three drugs – three magic wands,' says Dr David Barry

"We need to identify the most effective and best-tolerated agents which can completely suppress viral replication and thus suppress the development of resistance over an extended period. Such trials are not only possible but urgently needed," he said. Dr Barry plans to start these trials next month. The patients would be those who were HIV-positive and with CD4 counts of between 200 and 400. CD4 is one of the most important measures of the performance of the immune system.

The studies would include combinations of AZT, Roche's ddC and the same company's protease inhibitor, Saquinavir; AZT, Bristol-Myers Squibb's ddI, and Boehringer-Ingelheim's Nevirapine; AZT, ddI and 3TC, a drug discovered by Biochem Pharma of Canada and partly developed by Glaxo; and AZT, ddC, and Nevirapine.

Dr Barry believes it should take less than two months to find the 100 patients for each arm of the trial. All of the trials involve AZT because combinations with that drug appear more powerful than those without. The three drugs should be given simultaneously, rather than adding them one by one, says Dr Barry. This avoids the virus building up resistance to each of the drugs separately. For that reason the new trials will involve only those people who have not previously taken AZT or other anti-viral drugs.

Although AZT has a reputation for being toxic, Dr Barry does not expect severe reactions to the drug because the combinations chosen have relatively low toxicity and do not interact. The initial data will be ready by this time next year, says Dr Barry. "Even with the triple therapy, we don't know if the disease will progress in five or 10 years. We don't know the duration of benefit, but it should certainly be longer than at present."

Concern grows over Abiola

By Paul Adams in Lagos

Concern was growing last night about the welfare of Nigeria's detained opposition leader, Mr Moshood Abiola.

Mr Abiola's aides said he had refused to accept the conditions for his release on bail, set by a high court judge whose intervention on Friday was sanctioned by the military government.

The terms prevent the opposition leader from talking to the press or addressing public gatherings.

Mr Abiola is the deposed winner of last year's general election who has been jailed on treason charges for proclaiming himself president.

The oil workers' strike in support of Mr Abiola continued over the weekend. Union leaders will decide today whether to resume a general strike which was suspended last Friday.

Mr Abiola's staff say that he was moved every few hours between different prisons in Abuja until they lost contact with him on Saturday night.

"They are keeping him incommunicado because we were able to frustrate the attempted bail order on Friday," said one of Mr Abiola's assistants in Lagos. "But we are worried because so far they have refused to allow access to his doctor and lawyer," he said.

Mr Abiola's lawyers have not petitioned for bail but for unconditional release and for all the treason charges to be struck out.

Until Friday's emergency hearing, the high court in Abuja had been adjourned until August 16, when the judge is due to rule on whether the court has jurisdiction to try the case.

Leaders of the 41 trade unions in the Nigeria Labour Congress will meet in Lagos to decide whether to re-instate or to call off for good the stoppage while Mr Abiola remains in jail.

The decision was postponed from Saturday, because Mr Pascal Bafyau and other NLC leaders had not returned from Abuja, where they were involved in a failed attempt to break the political deadlock by securing conditional bail for Mr Abiola.

Hyundai strike cost mounts

By John Burton in Seoul

Hyundai Heavy Industries, South Korea's largest shipyard, says it has lost Won338bn (£274m) in sales as a result of a strike by its workers that began on June 24.

The Korea Federation of Small Business warned that continuation of the Hyundai strike could push many of HHI's 1,500 suppliers close to insolvency.

Labour disputes at HHI have become an almost annual event since 1987, when the trade union movement was freed from government controls.

Strikes last year at HHI and other Hyundai companies cost the country's largest conglomerate an estimated Won900bn in lost sales.

The small business association urged the government to call for emergency arbitration in the dispute and punish the HHI workers who have been occupying the shipyard since the company imposed a lock-out on July 20.

Although the government recently warned that it would get tough with striking workers, it believes that police intervention to break the HHI strike could trigger labour unrest in other industries.

The Hyundai trade unions are known as being the country's most militant.

China to assess state assets

By Tony Walker in Beijing

China plans a nationwide survey to assess the value of assets of some 150,000 state-owned enterprises, as part of its efforts to salvage an indebted state sector and establish procedures for the sale of state assets.

The official China Daily newspaper reported at the weekend that the survey was aimed at improving the management of state assets and follows a pilot project last year that found 10,000 state-owned companies had understated their assets by 42 per cent, or Yn180bn (£13.3bn).

Assessing the true value of their assets has become one of the most vexed issues facing China's economic reformers in their efforts to rescue faltering state enterprises whose best hope of survival lies in being converted to shareholding companies or merged with other enterprises, securing foreign partners, or being sold to the private sector. But questions over the real value of assets in a country where markets are primitive has become a sensitive political issue, with claims that the state's birthright is being squandered.

The State Asset Management Bureau estimates that "losses" of state assets, mostly by undervaluation, amounted to Yn500bn in the past decade. The bureau also said two-thirds of state businesses setting up joint ventures with overseas companies had not properly evaluated their assets.

The State Council, China's cabinet, issued regulations last month requiring proceeds from the sale of state assets to be lodged in a central fund which would be used to "promote the development of large and medium-sized state enterprises", according to China Daily.

Britain in brief

Railtrack appeals to employees

Railtrack is appealing directly today to all its 12,000 employees, urging them to contact the RMT transport union to ask for a suspension of the planned 72 hours of disruption by the signalling staff due to start at midnight on Thursday and continue next Monday and Tuesday.

In a move designed to increase the pressure on the union's executive to return to negotiations to end the dispute now entering its ninth week, the state-owned company that runs the network also urged the RMT leadership to reballot its signalling staff on the latest pay productivity offer.

The RMT executive committee is being urged by the union's full-time officials today to consider reopening negotiations with Railtrack.

£35m N Sea platform

Shell and Esso have awarded a £35m contract to Heerema Havenbedrijf of the Netherlands to supply a platform for the Schooner gas field in the North Sea.

The Schooner field is about 93 miles off the North Yorkshire coastline, and is due to come on stream in October 1996. In operation the platform will not normally be manned.

Electricity price limits expected

Professor Stephen Littlechild, the electricity industry regulator on Thursday announces price controls which could cut household bills from next April by more than 3 per cent.

His review, which will determine the profits of the 12 English and Welsh power distribution companies for the next five years, is widely expected to be tougher than last month's price limits for water companies. But the market remains optimistic, and electricity shares have risen sharply recently.

Analysts expect the average base distribution price – which accounts for about a quarter of final bills but 80 per cent of profits – to be cut by between 10 per cent and 15 per cent in April 1995. Price increases between 1996 and 2000 are then expected to be limited to 2 percentage points below inflation.

Labour attacks water profits

The Labour party yesterday launched a new broadside against the profits made by privatised water companies in England and Wales, despite recent assurances from the industry regulator that consumer costs would be kept within strict limits.

In a detailed attack on the activities of the 31 privatised water companies, Mr George Howarth, shadow environment minister, said their overall profits had risen 125 per cent since privatisation in 1989 and that the salaries of their chairmen had risen an average 135 per cent over the same period.

He also claimed that around a third of the water companies' chairmen held senior posts in other companies which were benefactors of the Conservative party, and had donated a total of £745,000 to Tory funds in the past 15 years.

Unions to consider German-style rights

By Robert Taylor, Labour Correspondent

Britain's Trades Union Congress will next month debate proposals that all employees, not just union members, should be given new legal rights of representation in the workplace.

The proposals, drawn up by the TUC secretariat, led by general secretary Mr John Monks, reflect a radical shift in TUC policymakers' thinking on future employment law.

Among the ideas being put forward for discussion is the legal right to a German-style works council in any company in Britain with more than 20 employees, whether or not they are union members.

The suggestions, in an interim discussion paper, will please Mr Tony Blair, the new Labour party leader, who opposes special legal privileges for trade unions but backs workplace rights for workers.

The document cautions, however, that the proposals "should be seen as one contribution to the debate" and adds they are not yet being put forward "for adoption as TUC policy". A final decision on the shape of the proposed new labour laws will come at the 1995 congress.

Britain's trade unions traditionally have favoured workplace representation only for workers who were their own members. But now the TUC staff believes workers in plants without recognised unions should have "the legal right to trigger the formation of statutory employee representation committees which would have a range of specific information and consultation rights".

Unions would have rights to recruit, rights to organise and the right to claim recognition with appropriate levels of support, it adds. "In practice the new legal rights for individuals would provide an opportunity for unions to demonstrate the value of membership".

The TUC believes the new "employee representation committees" based on the German model of works councils should have a legal right to information covering a firm's corporate strategy; its financial affairs; production, sales and employment projections and restructuring plans.

The committees would also enjoy consultation rights covering grievance and disciplinary procedures, pensions, equal opportunities, training, working hours, child care arrangements, new working or production methods and impending redundancies, closures and business transfers.

The proposed statutory workplace bodies would not deal with collective bargaining issues such as negotiations on pay and benefits.

The TUC secretariat believes trade unions would come to dominate the proposed committees even if they lack legally exclusive representation so there would be "an institutionalised union presence at the workplace".

The document also proposes an Employee Representation Commission to deal with union recognition claims in instances where they could not be settled through agreement with employers.

Study questions 'just-in-time' profit margins

By Andrew Baxter

British companies which are big users of Japanese-style manufacturing methods – such as "just-in-time" stock control and total quality management – have smaller profit margins than low users or those which do not use them at all.

This is the surprising conclusion of a study released today by Cambridge University, which has examined the use of Japanese methods by 68 UK manufacturers, and their profitability, between 1986 and 1992.

The study found that significant improvements in manufacturing efficiencies could be made through the use of Japanese methods by UK companies, but "translating these manufacturing improvements into enhanced financial performance in a fluctuating economic environment is much more problematic".

Dr Nick Oliver, a lecturer in management studies at Cambridge, said the study had "quite profound implications" for the use of such methods in the UK.

It found that sales per employee were greater for the high users of the methods from 1987 onwards, and by the end of 1992 were about 30 per cent higher than those of the low users. But these "lean" companies using Japanese methods had lower profit margins than their competitors.

This may have been due to a collapse in their profitability during the recession of the early 1990s, during which they fared worse than their buffered counterparts.

One of the high-user companies in the study revealed that its de-stocking programme had led to problems in ability to meet customer demands, and in fluctuating marketing conditions it had lost orders to competitors.

Dr Oliver suggested one other explanation could be that the Japanese production methods required willing co-operation from the workforce rather than mere compliance. In return, workers may have received guarantees that their jobs were safe, resulting in companies operating with too many staff.

Fears of renewed spending boom

By Peter Norman, Economics Editor

UK economists, having overcome their fears that this year's tax increases would stop recovery, are starting to worry that consumers could be preparing to repeat the late-1980s spending boom.

In its latest review of the UK economy, Oxford Economic Forecasting, an independent forecasting company, warns today that the electorate might not be satisfied with steady growth and low inflation when the next general election is held in the second quarter of 1997 at the latest.

Separately, Mr Chris Dillow, UK economist of Nomura Research Institute, suggests that the Treasury and financial markets might underestimate the strength of consumer spending and housing market recovery in the next two years before eventually having to impose "monetary overkill" on the economy.

According to Oxford Economics, the government could go into the next election in 1997 with unemployment of less than 2m or just under 7 per cent, consumer spending growth of between 2.75 and 3 per cent and inflation around 3 per cent. The analysts suggest many people still hanker after annual consumer spending growth of 6-7 per cent and big increases in house prices as at the end of the 1980s.

● Demand for consumer credit in Britain continued to rise in June although there were growing signs of reluctance to take on heavy or longer term commitments, say two reports from the credit industry released today.

Both the Finance and Leasing Association (FLA) and Infolink, a credit information group that monitors credit search volumes, suggested that discussion of possible interest rate increases deterred some borrowers.

The FLA said its members supplied consumer credit worth £1.37bn in June, an increase of 31 per cent compared with June 1993 but up only 1 per cent from May. While credit granted on store cards rose sharply, fewer people took out personal loans and motor finance fell 6 per cent compared with May.

Commercial vehicle registrations up 24%

By Kevin Done, Motor Industry Correspondent

Registrations of new commercial vehicles in the UK rose by 24.2 per cent last month as the recovery in sales of vans, trucks and buses spread to all types of buyer including small businesses.

Total sales of new commercial vehicles increased last month to 8,739 from 7,038 in July last year, figures from the Society of Motor Manufacturers and Traders showed.

Sales in the first seven months have risen by 15.2 per cent to 120,109 from 104,255 in the corresponding period a year before.

New commercial vehicle registrations have risen strongly year-on-year in virtually every month this year ending four years of continuous decline from a peak of 371,104 in 1989.

Registrations fell by 2.1 per cent in the whole of last year to 197,067.

Registrations of three and four-axle rigid trucks, which are used chiefly by the building industry, have risen sharply with a jump of 74 per cent year-on-year in July and a 63 per cent increase year-on-year in the first seven months.

Overall sales of heavy trucks (above 15 tonnes gross vehicle weight) rose by 29.4 per cent in the first seven months of the year to 12,227.

Activity in the van sector of the commercial vehicle market, where the recovery initially lagged behind trucks, is picking up rapidly.

Mercedes-Benz has made big gains in the medium van market, which is dominated by the Ford Transit, and has increased its registrations by 81 per cent to move into third place in the sector behind Ford and LDV.

Companies line up to back Labour

Jimmy Burns on the exhibitors at the opposition party's conference

Twenty-seven companies ranging from Sega, the Japanese manufacturer of electronic games, to Securicor Group have joined a waiting list of potential exhibitors at the coming Labour party conference in Blackpool.

Ms Jackie Bate, the party's conference and exhibition manager, said it was attracting "the biggest commercial interest of any political party in Europe".

"In the last few weeks we have had an increasing number of calls from companies wanting to book for this conference and next year's," she said. "We've got more people wanting to exhibit than we have room for."

The party has acquired more floor space in Blackpool's Winter Gardens to accommodate 163 exhibition stands. Of these some 150 are from the private sector and large public organisations, paying an estimated total of £600,000 in rent.

Sainsbury and DHL are among the companies exhibiting for the first time. The waiting list also includes the UK subsidiary of Norsk Hydro, the Norwegian chemicals and metals group, and British SKy Broadcasting, the satellite TV company in which etc etc.

"It really feels as if we are pushing an open door," said Ms Nikki Lewis, who moved in May from a job as an account director the Dewe Rogerson public relations agency to become the party's corporate relations manager. She has a specific brief to "open a dialogue" between the party and what she calls "corporate UK".

"'Corporate UK' has become quite clearly disillusioned with the Tories," she said. "I think that in the fulness of time that positive feedback will turn into money."

So far there is no evidence in the form of major corporate contributions to Labour Party funds. Sainsbury is denying reports that its chief Mr David Sainsbury financially backed Mr Tony Blair's successful campaign for the party leadership.

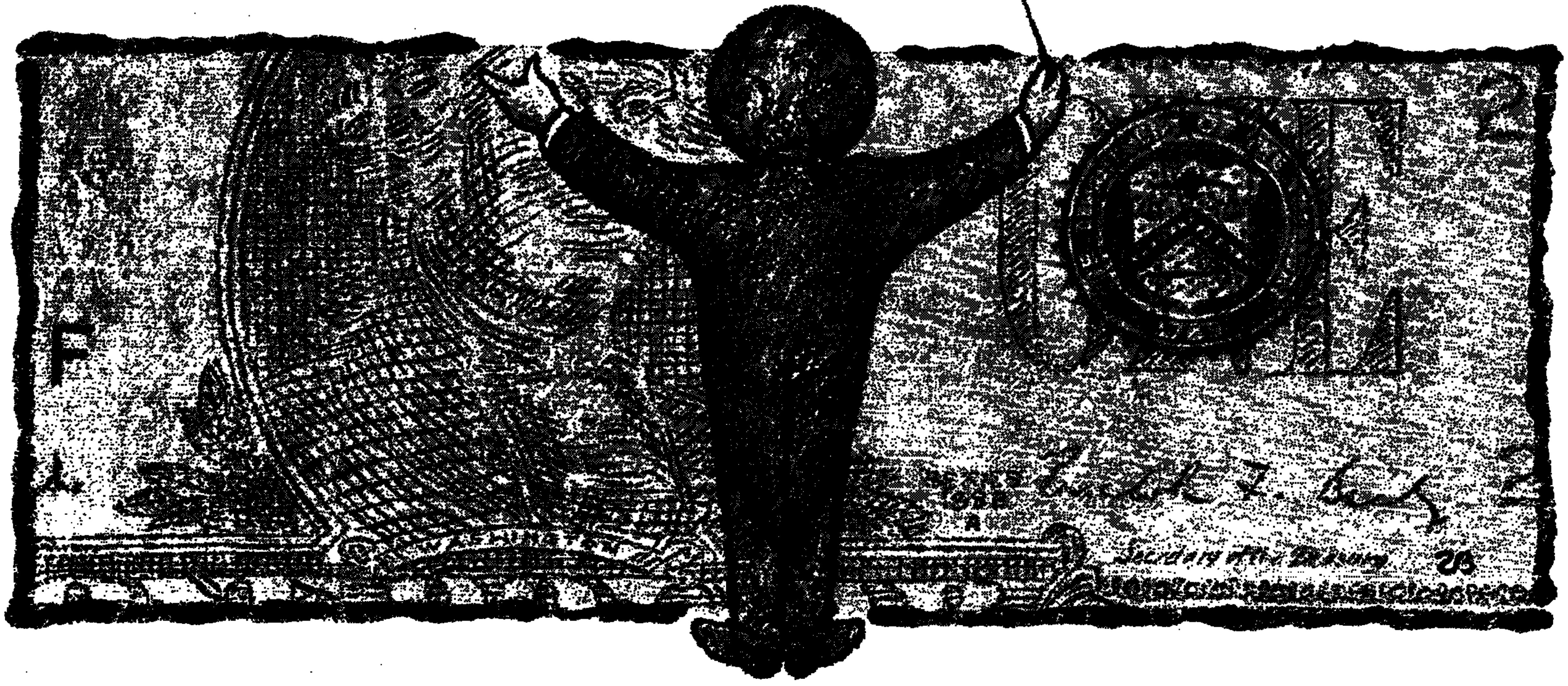
The company said it was continuing to maintain an "apolitical stance". The decision to exhibit at the Labour conference was because the event was viewed as an "opportunity to talk to influential legislators about important issues."

Meanwhile, the left of centre think tank the Institute of Public Policy Research – which is registered as a charity – says it is receiving "an increasing amount of money from major companies" for sectorial research projects. Its clients now include News International, Glaxo, and Shell. The precise monies involved have not been disclosed, but IPPR's chief economist Dan Corry says the unit's research projects command figures of between £20,000-£90,000.

"Our clients want to know what a Labour party is going to do because it is quite obvious to some of them that a Labour government is what they are going to end up with," said Mr Corry.

هشتذاوين الاعمل

We've put one billion dollars where others have only put their mouths.



The time for just talking about global telecommunications is over.

BT and MCI are pooling $1 billion in resources to create Concert, the first company ever dedicated to making fully integrated global telecommunications a reality.

This joint venture is a powerful partnership. BT is the UK's largest company, and one of the world's leading suppliers of international telecommunications. MCI is the second largest long-distance carrier in the US, and internationally one of the world's fastest growing.

Concert's range of services are available through BT and MCI.

The power to orchestrate global business telecommunications is now yours.

CONCERT™

Global Communications from BT and MCI

FOR MORE INFORMATION CONTACT YOUR BT ACCOUNT MANAGER, OR CALL BT ON + 44 272 217217. CONFIRMATION OF THIS JOINT VENTURE IS SUBJECT TO REGULATORY APPROVAL.

Executive misfortune at Disney highlights the need for a succession plan, writes **Patrick Harverson**

Who inherits the crown?

Last month Jeffrey Katzenberg, chairman of Walt Disney Studios, was almost mauled by a lion.

Katzenberg appeared shaken but unhurt after the lion – brought on stage at a video retailers show in Los Angeles to celebrate Disney's extremely successful animated film "The Lion King" – grabbed his leg and refused to let go.

Yet it could have been a nasty incident. If anything had happened to Katzenberg, it would have been the third piece of serious misfortune to strike Disney's top management in almost as many months. In April, Disney's president and chief operating officer, Frank Wells, was killed in a helicopter accident. Then, in mid-July, chairman Michael Eisner was rushed to hospital for quadruple heart bypass surgery.

The loss of Wells was regarded by analysts and shareholders as a big blow for Disney. He was Eisner's right-hand man and played a critical role in the day-to-day running of the company. Almost four months after Wells' death, Disney has yet to replace him, a fact that only made news of 52-year-old Eisner's emergency heart surgery especially troubling to shareholders.

After the surgery, doctors were hopeful about the prognosis for the Disney chairman, who is expected back at work full-time by the middle of this month. Yet their optimism could not stop Wall Street from speculating about how badly Eisner's incapacitation had affected the company.

Although Disney insists it has been business as usual since Eisner's emergency operation, the company was naturally caught off guard by the developments. Some companies make preparations for the unexpected death or serious illness of senior managers, particularly chairmen or chief executives. But how many are likely to be prepared for the loss of their two most senior officers in such a short space of time?

Ernie Glickman, managing partner of Harbridge House, a US consulting firm owned by Coopers & Lybrand which works with clients on succession planning, says that although the chances of losing two top executives are very slim – assuming they are not foolish enough to travel together – companies should be prepared for the worst. "You can't assume that just one tragedy will happen. You've got to have succession plans in place right down the management hierarchy," he says.

But many companies, even if they have some form of succession planning, rarely take it to the very top. One of the main reasons is that if chief executives have a successor in mind they prefer to keep the name to themselves, except where the number two is clearly being groomed for the top job. If they publicly announce their choice, they run the risk of alienating the other senior executives who might have considered themselves candidates for the succession.

One way around that problem, says Glickman, is for chief executives to let only their board of directors, or board chairman, know of their plans. "Good leaders say: 'I've got to make sure my chairman of the board clearly knows, if anything should happen to me, who should step in and run the company.'"

But, he says, most chief executives do not follow this common sense policy, because they cannot envisage life at the company going on without them. "The egos of CEOs can get in the way of principles of good leadership," says Glickman.

Management consultants admit that the reluctance of chief executives to prepare for a smooth transition of power is understandable. Although one of top management's main responsibilities should be to plan for succession at every level of the company, few bosses wish to think about when they themselves may have to surrender power, willingly or unwillingly. A recent survey by the New York executive recruitment firm Korn/Ferry International found that among 348 large companies, only 34 per cent of chief executives had identified their successors either publicly or privately.

Mortimer Feinberg, head of BFS Psychological Associates, a New York consulting firm which specialises in executive selection and succession, says that even if senior executives are sometimes forced to stop and consider succession issues, they soon drop the subject as quickly as they can. "The CEO does not want to talk about it ... because it's like taking out a life insurance policy."

At companies where a chairman or a chief executive is an especially dominant figure, succession issues can be particularly troublesome in the event of an incapacitating illness or death. At Time Warner in late 1992, the death of the entertainment group's chairman and founder, Steve Ross, was immediately followed by an internal clash among senior management. That clash led to a significant shake-up of Time Warner's board – even though the chief executive, Gerald Levin, had been hand-picked by the ailing Ross as his successor long before.

Here, the void left by the charismatic Ross' departure created special problems for Time Warner – in particular, how to end the long-standing conflict within the group between top executives from Time Inc and Warner Communications, the two companies which merged in 1990. Ultimately, Levin, a former Time executive, chose to settle the matter by engineering board changes which led to the departure of eight directors, including key members of the Warner camp.

The succession process at Time Warner might have been smoother if the company had spread the management load from the start. Terry Fergus, a partner at KPMG Peat Marwick in New York, says that, increasingly, big US companies are sharing the burden of management at the top among more key executives, partly to ensure that there is a team in place to keep things going if anyone dies or is taken seriously ill. "More companies are going with an office of the chairman, or an office of the president – where there are three or four people actually running the company."

Many management consultants go further, recommending that the process of succession planning be institutionalised. "You make it part of the culture that you're always reviewing succession planning twice a year," says Feinberg. But few companies follow this policy, he says. "Most just pay lip-service to it."

If most succession planning is aimed at handling sudden death or resignation, serious and prolonged illness can also cause problems which are almost as severe.

The advice of most management experts in the event of serious illness at the top is for companies to acknowledge the difficulties presented by the situation as quickly as possible. To let shareholders, Wall Street and the media know of the problem and to take action to ensure the illness does not interfere with the company's smooth running.

Two contrasting examples of how well US companies deal with illness at the top were provided recently by Tenneco, the industrial conglomerate, and TLC Beatrice, the foods group.

Tenneco faced the sudden prospect of change in January 1993, when its chairman, Michael Walsh, was diagnosed as suffering from brain cancer. At the time, Walsh was in the middle of completing a dramatic overhaul of the company, so his health was critical to Tenneco's future. Although the immediate announcement of his illness unsettled investors sufficiently to slice 5 per cent off the company's share price in a single day, Walsh was praised for quickly informing his company and its shareholders of his predicament. Fortunately Tenneco had a strong number two in Dana Mead, who had been chosen in 1992 as an eventual successor to Walsh. Mead was promoted to chief executive when Walsh stepped down because of his health last February, and when he died in May the transition was a smooth one.

In contrast, when the chairman of TLC Beatrice, Reginald Lewis, was diagnosed as suffering from brain cancer in late 1992, he chose to keep the information to himself. His death in January 1993 was a shock to all but a few of his most intimate advisers.

Although Lewis had set up a special management team to handle the transition of power when he was diagnosed as having cancer, the first year after his death was a difficult one for Beatrice. Its financial position deteriorated, and Lewis' chosen successor – his half-brother Jean Fugett – eventually resigned in January 1994, creating uncertainty about the company's future.

As for Walt Disney it appears to be coping well for now, but doubts remain about how it will be affected over the longer term.

As John Tinker, analyst at the New York broking firm Furman Selz, says of Eisner's illness: "Short-term it's not an issue. It's a very strong company. A lot of the management team has been in place for a decade and some a lot longer. I don't think it affects them now. Longer-term, it becomes more of an issue. I would expect the company to rejiggle its management structure a little bit. They are going through a rate of unbelievably rapid change, and big strategic decisions have to be made."

Among those decisions are whether Disney should buy a US television network. Just before Eisner was taken ill, Disney was reportedly considering either buying, or forging a partnership with, CBS, the broadcast television group. Since Eisner's surgery, most observers believe such considerations have been put on hold.

The Disney chairman's illness created problems in another way – it immediately focused attention on the vacancy in the spot previously occupied by Wells. To some observers, Eisner's decision not to appoint a new president and chief operating officer quickly, was surprising, particularly because in Katzenberg the company seemed to possess an obvious successor to Wells.

Since Eisner's surgery, Hollywood has been full of speculation that the ambitious Katzenberg might leave Disney if he is not offered the number two job soon. For a company which has prided itself for years on its stable management, the speculation is unsettling.

It will not die down until Disney appoints a new president, a decision which cannot be made until Eisner recovers from his surgery. The decision, however, may never be taken. Eisner may stick to the original interim plan of leaving the post of president vacant – late last month, a Disney spokesman questioned whether the company really needed both a chairman and a president.

Given Disney's impressive management record, it is a valid question. But with a chairman recovering from quadruple bypass heart surgery, the succession issue will not go away in a hurry.

DESERT ISLAND MANAGER

Nicola Foulston

Nicola Foulston, owner and chief executive of Brands Hatch racing circuit, began running her own business at an early age. She inherited Brands Hatch and three other racing circuits from her father, John, seven years ago when he was killed in a race at Silverstone. Two years after that, aged 22, she took over the running of Brands Hatch and quickly developed a reputation as an astute and strong-willed manager.

What item of office equipment would you need, along with a fax and telephone?
I'd like to take my PA who I rely on for many things and who I really couldn't do without. But outside the human element it would have to be a TV and video. I'd need those because I do a lot of reviewing of events, but also I imagine that I would get pretty bored on a desert island, so they would provide some amusement too.

Who would you take with you?
I'm newly married and I would definitely take my husband. Probably 20 years on I wouldn't say the same thing, but right now I'd take my husband. He'd be the best entertainment value. We met when I started learning to fly – he used to be my flying instructor.

You can have a vehicle to get around the island?
The new Porsche 959. I've got sports cars and they're fun to drive, but I especially like that model. It's very stylish.

You're allowed one type of food?
Chinese. I eat more Chinese than anything else and would miss it if I couldn't have it. Like most of us, it is mainly the western-style Chinese that I eat most rather than the true Cantonese from China.

One non-essential item to preserve your sanity?
It would have to be a light aircraft. I love flying, it's one of my favourite pastimes. My aircraft has quite a limited range so I wouldn't be able to escape from the island.

What would be the best thing about being marooned?
Being able to concentrate. People are always in and out of my office, and while I like the buzz of that, just being able to get on with things would be a bonus.

You're allowed to watch one sport.
It would have to be a motor sport. I'm not a big fan of other types of sport, I've never been able to get into football for example. And also I would need to keep up with what was happening in motoring.

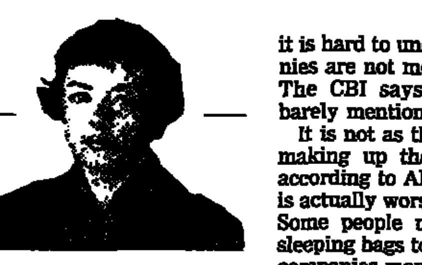
One condition can be imposed on the island.
It would have to have a mountain that was snow-capped so that I could go skiing. I'm a skiing fanatic and really love to go each year.

If you couldn't return from the island, what would you like to be remembered for?
For commercial awareness. I've tried to make a lot of changes in what is quite an old-style and very traditional business, especially with events such as the touring cars. It is not a business that welcomes change very readily so that is what I would like people to remember.

Christine Buckley

Confirmation of the British stereotype

LUCY KELLAWAY



One day I am going to write a pot-boiler about a successful entrepreneur. My hero will be a working class boy from a fatherless home. He will have done badly at the local comprehensive, where he will have been persecuted for being so small. He will risk everything and lose, only to start again, even more determined than before.

On the way up, he will cross swords with the chief of a mighty corporation. This chap will come from a stable, upper middle-class home. He will be cautious by nature, competitive and will work 18 hours a day.

Readers will not be required to believe in either character – this is fiction and bad fiction at that. Yet last week I discovered, much to my amazement, that my imaginary account would be based on fact. Three British occupational psychologists have just published detailed research* based on interviews with twenty of each type which confirm the corniest stereotypes.

You cannot fault the authors on method, but I wonder about some of their subjects: author Catherine Cookson is not my idea of a first division entrepreneur, and neither is Teresa Gorman MP nor Lord Young. And when it comes to the "intrapreneurs" – people who have transformed large organisations from within – Sir Denis Thatcher and Emma Nicholson MP would not be first on my list.

At least I have found out how to make my book even more convincing: the corporate man will have to be married to the prime minister and my entrepreneur will end up one of her favourite cabinet ministers.

Since I wrote last week about the down-trodden employees who have survived one of the biggest redundancy exercises in British corporate history, I have been contacted by scores of consultants specialising in the "survivor syndrome". One such, Alternative International, has sent me a 12-page fax explaining how these employees need to be "emotionally reconnected to their employer" via three-day workshops consisting of "force field analysis" and an "external environment review."

This cure sounds almost as painful as the disease – and not everyone wants to be emotionally connected to their employer. Still, the approach is preferable to that of one FT reader who argues that people lucky enough to have jobs should stop whingeing and work harder so that the economy will recover and their ex-colleagues will be re-employed. It strikes me that if employees did more, the management would have the perfect excuse for shedding more labour.

Every day there are fresh estimates of what the strikes have cost the rail industry, but there has been been nothing on what it is costing companies. I have tried to find out how many people are failing to get to work, but no one seems to know.

To judge by the emptiness of the tubes and buses on rail strike days, people would appear to be staying at home in droves. But in that case it is hard to understand why companies are not more agitated about it. The CBI says its members have barely mentioned the strike.

It is not as though companies are making up the slack with temps: according to Alfred Marks, business is actually worse on rail strike days. Some people may be taking their sleeping bags to work. Alternatively companies may be getting on nicely without many of their workers. I hate to think what fate could greet them when they finally start working a five-day week again.

If I had a penny for every time I heard someone say they do not believe executives should be rewarded for failure, I would be as rich as some of the failed executives themselves. The latest person to make this banal utterance is Tim Melville-Ross, the incoming boss of the Institute of Directors. I have yet to meet the person who can put their hand on their heart and say they do believe in rewarding failure.

The issue is not what people believe in, but what they plan to do about it. At least Melville-Ross has joined the still small band of campaigners against the three-year rolling contracts that allow sacked executives to collect large pay-offs.

When people say they do not believe in rewarding failure, they usually mean they do believe in rewarding success. This is equally platitudinous. Nearly everyone thinks success should be rewarded: the question is by how much. The latest survey shows that 54 British directors earned more than £1m last year. Presumably, most of those were successful. But were they that successful? Would they have been any less successful had they been paid less? There must be another book here for occupational psychologists: meanwhile the message from the 20 intrapreneurs suggests the need to achieve is a much stronger motivation than money.

* *Business Elites, by Reg Jennings et al. Routledge £19.95*

LEGAL NOTICES

INSOLVENCY ACT 1986
RESORT HOTELS PLC
MANDATORY LIMITED
COUNTY RESORT (PROPERTIES) LIMITED
(ALL IN ADMINISTRATIVE RECEIVERSHIP)
TO ALL CREDITORS

M. E. Mills and A. R. Bloom
Joint Administrative Receivers
Dated: 3 August 1994

No. 003954 of 1994
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
BOBCAST U.K. LIMITED
and
IN THE MATTER OF
THE COMPANIES ACT 1985

Dated 3rd August 1994
CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ
Ref: KWC
Solicitors to the Company

CELEBRATE LIMITED

WORKING LIFE/SPORT

FINANCE

Channel Islands dalliance may yield unexpected offshore rewards

If you are going across to the Channel Islands this summer, you could choose to include among the various diversions on your itinerary, a brief visit to one of the establishments for which they are famous.

Banks and building societies are ten-a-penny in Guernsey, Jersey and the Isle of Man. They are the ideal spot for those who enjoy their tax havens to dally..

The dalliance need not be confined to the wealthy and famous. Anyone with savings in a UK bank or building society can seriously consider moving their funds "offshore", not just for the glamour of it but in pursuit of actual tangible benefits.

Some of the highest onshore rates are found among postal accounts, but, depending on the size of your deposit, it is often possible to secure higher rates offshore.

One of the advantages of investing offshore is that interest is paid gross.

While UK residents are liable to tax on the interest, they have the flexibility of delaying tax payment by as much as two years, depending on whether interest is paid early in the tax year. That option effectively increases the "advertised" rate of interest. Moreover, many bank and building societies pay a higher rate offshore than for an equivalent onshore account.

Cheltenham & Gloucester's instant access onshore Gold Deposit account pays 3.25 per cent gross on £10,000, while its offshore instant access Guernsey Gold pays 4.35 per cent gross on the same amount.

The society's London postal account (onshore) pays yearly interest of 5.45 per cent gross on £100,000 while the *monthly* interest rate on its offshore Guernsey Gold account is 5.79 per cent gross.

Similarly, Portman Building Society, which has one of the most competitive offshore rates, pays 5 per cent gross on £20,000 on its onshore instant access account and 6.2 per cent gross on the equivalent amount offshore.

The highest offshore rates are paid to expatriates.

Leeds Overseas has two instant access offshore accounts paying annual interest.

Its Liquid Gold Overseas account for UK customers pays 5.1 per cent gross on £100,000, while its Overseas Gold account, open only to expatriates, pays 6.5 per cent on the same amount. The usual argument is that rates are set in order to be competitive with other offshore institutions.

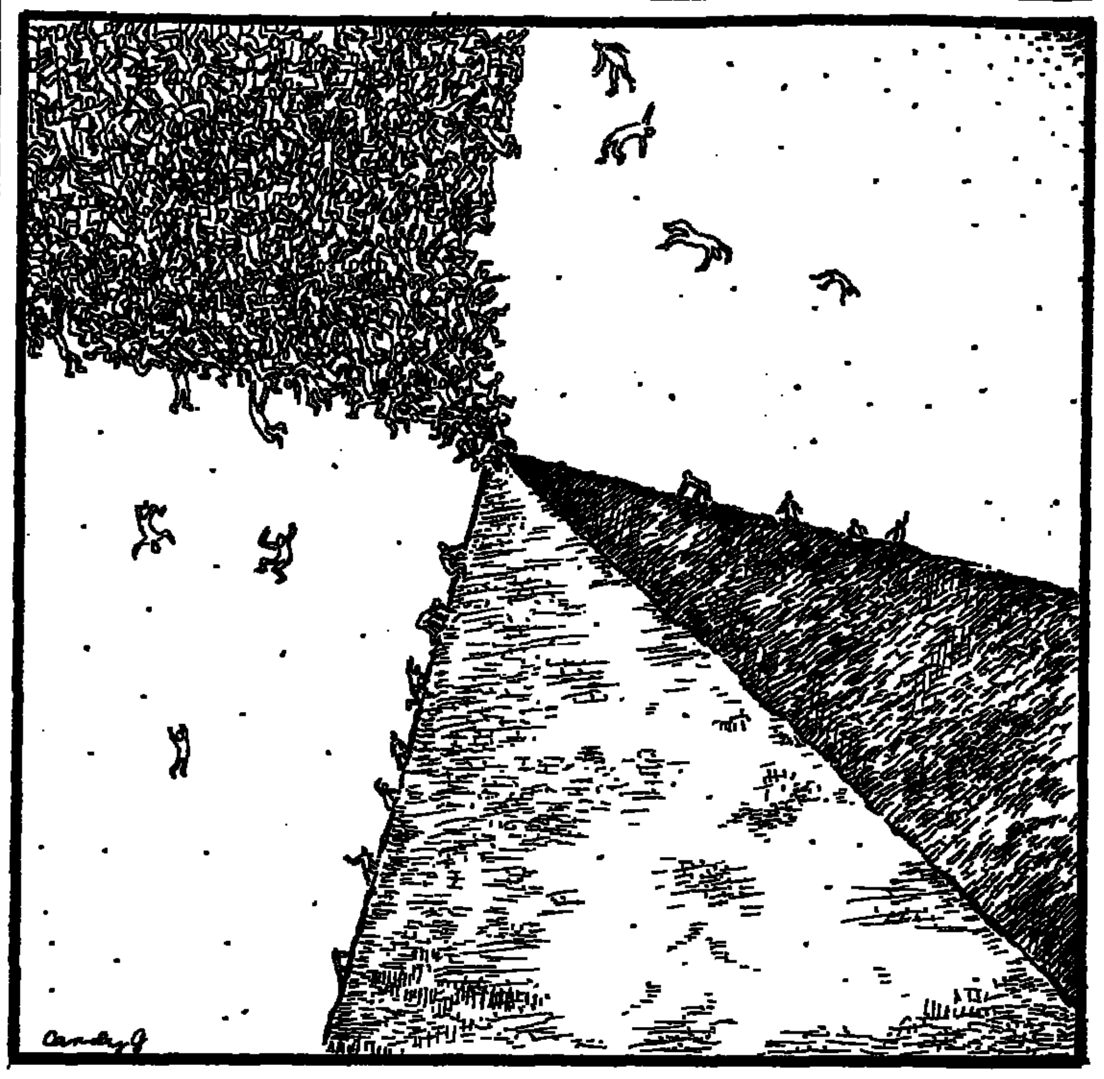
Although offshore does not necessarily mean shady, be wary of institutions paying significantly higher rates of interest as you could be entering risky waters.

It is also worth remembering that of the three main offshore islands, only the Isle of Man has its own deposit protection scheme.

The UK's building societies Deposit Protection Scheme, which guarantees to pay 90 per cent of the first £20,000 in an account, does not apply outside mainland Britain. However, the Building Societies Act requires all the liabilities of a subsidiary to be guaranteed by the parent.

Scheherazade Daneshkhu

CAVEAT INVESTOR



'Pyramid' sales companies face aggressive clamp-down

Thousands of members of schemes supposedly designed to generate money for nothing have seen their hopes turn to sand in their hands during the last few days.

The Department of Trade and Industry has begun an aggressive clampdown on so-called "pyramid" companies and has promised a review of the existing law that allows them to operate.

In a series of High Court petitions over the last few weeks, it has applied to appoint provisional liquidators on public interest grounds to 3T Publications, Alchemy (UK), Alchemy Marketing and Quillpunch. It is scrutinising at least one other company, called Powertag.

3T Publications operates as FPW – known at different times as Frequency Programming World and Futures Product World. FPW in turn operates schemes, including the Silver Matrix and Midas. Alchemy operated a scheme named after itself, then renamed the Alchemy Foundation.

The companies managed several schemes which promised members the chance to multiply many times the money they have put in.

For example, Midas members were promised that £140 paid out would result in their receiving back £600. Alchemy offered £31,775 to members in exchange for 24 monthly payments of £75.

They also constantly require new recruits, apparently attracted by a combination of money and semi-mystical self-improvement. A three-page letter distributed earlier this year explains that FPW "is about teaching success technologies to members" through "mind exploration meditation" and "self-help". It talks about bringing money to places "in which opportunity is almost non-existent" such as old mining, shipbuilding and steel-making towns, using "breakthroughs in modern technology . . . and facts taught by eminent doctors."

As distinct from other more conventional pyramid selling organisations, which use personal networks to market goods or services, these schemes simply ask members to send in money – and to recruit additional members.

Their flaw is that they work like a Ponzi scheme: money is not invested in any way to add to the value of the income, but simply redistributed to those higher up in the pyramid. So for each new level of members to receive income, there must be a continual growth in members beneath them – or additional contributions from existing members. When these flows dry up, members stop receiving any money.

In words approvingly cited by the DTI, Mr Justice Chadwick granted provisional liquidation against Alchemy last month stating that the schemes were "bound to fail" because "the pool of those willing to join is not inexhaustible."

However, the DTI's recent court petitions – and the associated publicity – means that money from new members is likely to quickly dry up, depriving existing members of any new income.

In spite of the logical flaws of the schemes, the regulators have apparently left many members not only angry and out of pocket but still ardently committed with an almost religious belief in the systems and their founders.

The views are summed up by one businessman based in the south-west of England who wishes to remain anonymous and has been a member of FPW's Silver Matrix and Midas, and was considering joining Alchemy. He says he joined FPW after his 12-year-old business collapsed, and he had unsuccessfully played the options markets and responded to chain letters which asked him to send in money.

"I feel there is a general view – the orthodox view – of accountants, bank managers, judges and so on about these schemes," he says. "I would have argued that view before, but I have now accepted it can work. I would hope to show that logical view has a chink. I've put a lot of thought into this. It is a very stable way to operate. If left alone I believe they would not only continue, I would be able to look back and say was this one of the best things since sliced bread."

During a discussion lasting 105 minutes he was unable to explain how the schemes could be self-sustaining, but stressed that they worked. "My return is so much higher than any alternative. I have survived for 12 months on them. I am confident I can get the money I have lost back on them."

"I regard these as long-term savings – not as safe as a bank, but safer than unit trusts. Unlike most investment and saving schemes this company asks only for really very modest amounts. There are inherent dangers in building societies, which are only saved because others step in when they get into financial difficulty. I would hope in the future we would have a self-protective mechanism – like Abta for travel agents."

Andrew Jack

EATING OUT

Ingredients are paramount at Granita

There is nothing remotely fussy about Granita. The austerity of its large plate-glass window, its plain wooden floor and the unadorned walls and tables announce that nothing will distract from the enjoyment of food and, yes, of chattering.

For this is the legendary Islington dinner party writ large. The place hums with animated but not overbearing conversation from a smart and relaxed crowd which can be expected to include actors, lawyers, journalists and politicians.

The celebrated Tony Blair-Gordon Brown dinner seems not to have gone to its head and there was friendly and efficient service from a young and enthusiastic team.

Granita's no-nonsense approach finds further expression in the understated but attractive presentation of the Mediterranean-inspired dishes and the adequate size of the portions. Prices are reasonable and the main courses come complete, so there are no extras to inflate the bill.

The restaurant, in Upper Street, Islington, concentrates on the three essentials of successful cooking – ingredients, ingredients, and ingredients. Only the best will do, it seems, and there is nothing flashy in the preparation.

It is all so deceptively simple you might flatter yourself you could serve something similar on your stripped pine table –if you could only face the trek to Steve Hatt's for the fish, to Chapel Market for the veg, and on to Olga's for the oils and the dried tomatoes.

But even with the culinary skills you would be missing another vital ingredient – chef and owner Ahmed Kharshoum's confidence and ingenuity in combining and contrasting flavours to such original effect.

Oak smoked salmon (£5.95) came with dill and sour cream – nothing too surprising there – but the accompanying onion pancake was a neat touch.

Main courses are a mouthful – and that's just on the menu. "Roasted chump of new seasons lamb (pink), provençal potato gratin, lemon thyme, olives, steamed runner beans (£9.95)". The meat, topping a mound of the other equally succulent items, was a treat.

My friend was delighted with her fillet of yellowfin tuna (£10.25), peppered and chargrilled to bring out the fullest flavour. It came with lime butter for extra zest and was accompanied by mange tout, red pepper and garlic potatoes.

There was still room for a remarkable combination of apricot and cherry crisp with egg nog ice cream and, for me, a smooth luxurious blackberry fool with hazelnut biscuits (both £3.50).

Wines are reasonably priced with Chile, Australia and New Zealand well represented. There is an intriguing range of dessert wines.

The short menu, typically four starters, four main courses and a pasta option, changes every Tuesday.

John Falding

Granita, 127 Upper Street, London N1 1QP, tel 071 226 3222. Open Tue-Sun for dinner, Wed-Sun for lunch. Set lunch £11.50 for two courses, £13.50 for three. Nearest Tube: Highbury and Islington.

INNOVATIONS

Wakey wakey - open your eyes to new products

Spew is every parent's nightmare: the fruit-flavoured powder, available in the US, makes a coloured foam in the mouth, and is sold complete with a reflecting "Spewer Viewer" so children can check the effect.

Oaw is a French canine "sports drink" which is said to refresh and revive dogs after they have been exercising.

Hot 'n' Cold is a Danish bread-and-ice-cream sandwich which can be served grilled, fried or toasted.

Spew, Oaw, and Hot 'n' Cold are just three of the 12,000 new products which have been unleashed on unsuspecting consumers around the world in the past year, according to the market research group Mintel.

Its 450 field researchers - who shop for the new, bizarre and the handful of products which will still be on the shelves by next year - report that product innovation has been continuing unabated, even in those economies affected by recession.

Six product areas account for about a quarter of all launches listed last year by Mintel in its fortnightly new product reports: confectionery; desserts and ice creams; sauces and seasonings; soft drinks; haircare; and oral hygiene.

New launches in confectionery have ranged from the vitamin-enriched and sugar-free, to the high-calorie and luridly- coloured.

In France, Neon Sucettes are lollipops which stain the tongue "electric blue", "toad green", or "Dracula red". At the same time, France has also seen the launch of "natural" fruit gums which claim to help keep the "intestinal eco-system" in good order.

The Japanese appear to be keen on what Mintel terms "functional" foods. For example, Wakey is a gum which wards off sleepiness, while Kiss Mints have extended their range to include apple mint for etiquette, herb mint for relaxation, and jasmine mint for elegance.

A new drink based on dokudami, a foul-smelling plant, "helps quicken blood flow, promote urination and prevents various adult diseases".

The wonder drink is also said to be "efficacious against piles, constipation and menopausal disorders".

In personal care products, the "two-in-one" trend, which began with shampoos and conditioners, now seems to be working its way through bath and toothpaste new launches.

Mentadent Mouthwash, for example, is being packaged in a dual-chambered container which dispenses baking powder and hydrogen peroxide solutions. Not unlike Spew or Neon Sucettes, the effect is blue and effervescent.

Mr David Jago, Mintel's new products specialist, says that most new product launches are doomed to failure.

The commonly-quoted figure is 90 per cent, although he says it depends on how failure is defined – for example, character merchandising is often only intended to have a short life span.

"I'd hazard a guess that around 70-80 per cent of all product introductions don't succeed in the long term," he says.

Diane Summers

TRAINING

Software offers to end last minute search for those up-to-date skills

It is a familiar situation to most employers. A worker with important skills goes sick or is otherwise unavailable and no one knows who else in the organisation has the up-to-date skills to cover the job.

A new software package, called Viva Training, offers employers a method of auditing exactly who possesses which skills at any particular time. Crucially, the package allows an employer to establish whether or not the skills in question have lapsed.

Mrs Jeanne Walsh, of TSS Training and Safety Systems, who developed the concept of what she calls "lapsed time", says: "There is a widely held assumption that if training is carried out and recorded, that the person will be able to perform that function to the required level of competence, *ad infinitum*.

"In practice, this is simply not so, and work that I have carried out demonstrates this clearly. This area of loss, multiplied up through British industry, assumes gigantic proportions, and bleeds the economy."

She asks employers who purchase her package to work out for themselves how long they believe it would take for the skills for a particular task to be lost if the individual was not practising them.

If the worker has no direct experience of that task for longer than the "lapse time", the manager has the option of updating the skill, for example by asking the individual to perform that task for a short period.

It sounds simple. Mrs Walsh, who also develops safety management systems, is marketing her concept in a roadshow touring Cardiff, Birmingham, Manchester and London this autumn.

Several companies have already purchased the package, which retails at about £2,300.

The companies include British Sugar, Dairy Crest, and C. P. Pharmaceuticals in Wrexham. Most purchasers are medium-sized or large employers.

"I don't believe computerised control is important for companies with less than about 130 employees", says Mrs Walsh "but we are developing a cheaper system for smaller businesses."

Mr Graham Williams, training manager at C P Pharmaceuticals, says that the package can be adapted for bespoke use.

He makes use of the system in the company's sterile production areas, where operators are licensed for 12 months to do up to 80 tasks.

"Each task has an an expiry date and after 11 months we review the skill," he says.

"If the manager finds that the individual has been using a particular skill, he or she can be re-licensed. We need this level of management control to demonstrate to the Medicine Control Agency that we have competent people doing tasks", says Mr Williams.

"We need the level of documentation that the system offers. At anytime the supervisor can log into a system that informs him or her what tasks an individual can do. It gives them confidence."

Lisa Wood

SPORT: LAURA THOMPSON

Cricket and its gift of boredom

Sporting events are, I have decided, much more rewarding when attended in the north of England. Compared with its London counterpart, a football match at Old Trafford is a rich occasion; rugby league, which is almost exclusively northern, creates a more intense and genuine atmosphere than any other sport. And, for all its grandeur, Lords cricket ground is an unyielding, forbidding place when contrasted to Headingley in Leeds.

Lords is so sure of its own legendary status that it need extend no welcome to those non-members who wish to partake of its myth; entering the ground is a great pleasure, but there is something nerve-wracking about it, as if at any moment one might be stopped and thrown out for harbouring seditious, anti-cricketing thoughts. Entering Headingly is almost hilariously informal. One waves a bit of paper at a cheery Yorkshireman – "Go on, love, you're alright" – and suddenly there one is, close enough to the outfielders to see the nicotine stains on Philip Tufnell's fingers.

To be, as I was on Saturday, at a test match that has the aspect of a game of village cricket is wonderfully comforting. That old boy with the Deputy Dawg moustache and the gammy walk, why, that's Graham Gooch. And that big lumbering chap, could be the local pig farmer, that's Gus Fraser – not a bad bowler, he can get a bit of pace up. The South Africans look a little more rigorous, as if they have come to the village green to win the game rather than enjoy the beers afterwards. But the general impression given by the players is of an aimless ordinariness quite unlike the highly-defined sheen, the air of conscious physicality, acquired by most professional sportsmen.

Of course, as with village cricket – or "Statues", as my mother once called it, after she and I had watched my brother make about five runs in five hours – a test match seen from this homely, parochial perspective is very boring. That does not matter, but it is true, and I believe nobody who denies it. Anyone who is perturbed that the years are slipping by too quickly should go to lots of cricket matches. Then life will seem about twice as long.

Theoretically, every cricket ball bowled carries with its flight a little hope, that this time something spectacular might happen. Yet that feeling evaporates very easily. When, on Saturday, Philip DeFreitas took two wickets with consecutive balls, Headingley was galvanised and for some minutes every delivery was greeted with comic-strip whoops and winces. But in effect, all that had happened was that there had been a respite from the boredom. For a few moments, time had passed unnoticed; soon, every second would regain its full weight.

Rare event: England bowler Philip DeFreitas celebrates his second wicket against South Africa at Headingley

The beauty, and the bane, of test cricket is that it replicates precisely the rhythms of life: the long expanses of nothingness, the sudden flurries of adrenalin. If one submits to this, one finds contentment. Sometimes, though, there is a slightly precious quality to this submission, especially at Lords, where the cognoscenti behave as if they had found an almost religious significance in the game. Yes, they are right, the boringness of cricket has a point to it; within those longueurs lie infinite amounts of patience and strategy; but they are still longueurs and there is nothing inherently magical about that fact.

At Headingley, the boredom is accepted with much greater simplicity. The crowd submits itself to the rhythms of the game, but it does so with ease and humour, rather than an air of mock-holiness. When the game gets boring, people do what they would do when their lives get boring: they nip off for a pint, they study the crossword, they dig into their hampers and come up with a surreptitious sandwich. They don't bother to hide their langour beneath a panama hat or the Daily Telegraph or a self-conscious expression of mystic communion. They just accept, and wait, and hope.

It is almost impossible, in this sensible place, to connect the desultory spectacle before one's eyes with the effect that it has upon the world outside that expanse of green.

That decent young fellow with the slight, apologetic stoop – can he really be Michael Atherton? Can the contents of those untidy pockets, in which his hands are even now being casually placed, really have engrossed the attention of nations as remote as Australia and Pakistan?

One even begins to wonder if it really matters that much who wins or loses; which makes one realise how very different the actuality of sport is from the version that television, and indeed newspapers, have made familiar. How odd it is to see a wicket taken within the natural progress of the game, to see it taken only once, to see it taken without the benefit of analysis. One is forced back on oneself – one's own opinions, one's own emotions. One is forced to take a wider view, in every sense: the drama between bowler and batsman is the focus, but it is part of something real, part of the lives of both players and spectators, not an artificial and disembodied highlight.

The significance of the event is muted, of course. We are so used to having our instincts magnified by commentators, so used to having life edited for us by the fast forward, the rewind, the slow motion replay. But it is good sometimes to accept the whole for what it is, rather than to rely on the interpretations of an outside agent. Boredom is a small price to pay for the pleasure of true engagement with a sporting occasion.

BUSINESS TRAVEL

Strike averted

Cathay Pacific Airways said at the weekend nearly all its rebellious pilots had accepted company contracts, averting the prospect of a strike.

The Hong Kong Aircrew Officers' Association said a special meeting had decided not to vote on taking industrial action. But future action was not ruled out.

Talks between the union and the airline to fix an increase in flying hours for the pilots broke down in July.

Suspended

Northwest Airlines is to end its non-stop daily service between Glasgow and Boston from October 25. It says it has been losing money because of excess capacity on transatlantic services from Glasgow and low yields due to insufficent business passengers.

Northwest's withdrawal after 14 years is the second blow to transatlantic services from Glasgow within weeks. Last month American Airlines said it would not operate its daily Chicago service between November and mid-May.

Northwest offers alternative services for Scottish travellers from London Gatwick and Schiphol, Amsterdam, connecting with Air UK.

Passengers up

Nearly 10 percent more passengers flew on European air carriers in June than did in June, 1993, according to the Association of European Airlines.

The AEA says June's traffic was up 9.8 per cent from the same month a year earlier. It adds that the first six months of this year saw 9 per cent more passengers than the first half of 1993.

The rise in passengers was ahead of the increase in seats available, which grew by 5.4 per cent in the first half of this year.

Planes were on average flying 71.6 per cent full.

Flights increase

SAS will add flights between its Copenhagen hub and two other Scandinavian capitals to meet higher demand.

SAS says it will add an evening flight from Stockholm to Copenhagen from August 14 and a morning flight from Copenhagen to Stockholm – for 15 daily flights each way.

It will add another plane to departures from Copenhagen to Oslo from August 28, bringing the total to 16 a day. It will add two flights back to Copenhagen, one from August 29 and another starting September 5, making 17 flights a day from Oslo to Copenhagen.

Aircraft freeze

India's decision to freeze importation of large aircraft by newly-licenced private airlines will stall the entry of new carriers, aviation industry officials are warning.

Mr Ghulam Nabi Azad, India's civil aviation minister, has told parliament the government will freeze large aircraft imports because of congested air corridors and airports. But he says imports of smaller aircraft will be encouraged.

Thirteen private airlines have snatched 25 per cent of Indian airlines' passengers by offering better services.

Highland danger

Warning notices are to be posted in mountain blackspots in Scotland telling holidaymakers and casual walkers how many people have died in the area.

The shock tactic was announced by the Scottish Mountain Safety Group as rescue teams prepared for their busiest period, when many poorly-equipped walkers get into trouble.

The signs advise walkers on equipment and precautions they should take before walking in the hills. On a busy summer day up to 500 people may climb Ben Nevis, Britain's highest mountain. Ten people died on Scotland's mountains and hills last summer.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	30	30	30	30	30
Hong Kong	30	30	30	30	30
London	24	23	21	21	20
Frankfurt	25	27	31	28	26
New York	27	30	31	30	29
L. Angeles	27	28	29	28	28
Milan	32	35	35	33	32
Paris	28	31	26	25	25
Zurich	24	24	28	28	25

Maximum temperatures in Celsius
Information supplied by Meteo Consult of the Netherlands

Nicholas Denton explains how to profit from a visit to the energetically capitalist city of Budapest

Success of excess

A Budapest education begins as soon as a visitor lands at Ferihegy airport. Capitalism is at its rawest at the taxi rank. Appropriately known as "hyenas", private cab drivers puncture rivals' tyres, collude cosily with the airport authorities and the police, and charge more than double the going rate.

But as ever in Hungary, there is a *kis kapu*, a side door, a way around every problem. To avoid the hyenas, take the airport minibus. Or order a cab run by Fotaxi, a state-owned company, by going to the Fotaxi desk or phoning 222-2222. Not only will you save Ft1,000 ($10); you can feel you have done your bit for the free market.

The rule holds in town. Do not get into unmarked cars. Look for the oval light and red checks of Fotaxi, or order one. Anyone who can get the better of Hungarian taxis should coast through the rest of a business trip.

Economic reform started earlier in Hungary than elsewhere in eastern Europe. The culture and infrastructure of commerce have had longer to develop and mature. Despite all the frustrations, Budapest works. After all, about half the direct investment in eastern Europe has gone to Hungary. Budapest, which is the most populous city in east-central Europe with more than 2m inhabitants, has regained its pre-communist position as a regional hub.

When it comes to accommodation, for luxury and convenience stay in the new post-modern Kempinski hotel, in the commercial centre of Pest. For character and architecture try the *art nouveau* Gellert on the Buda bank of the Danube.

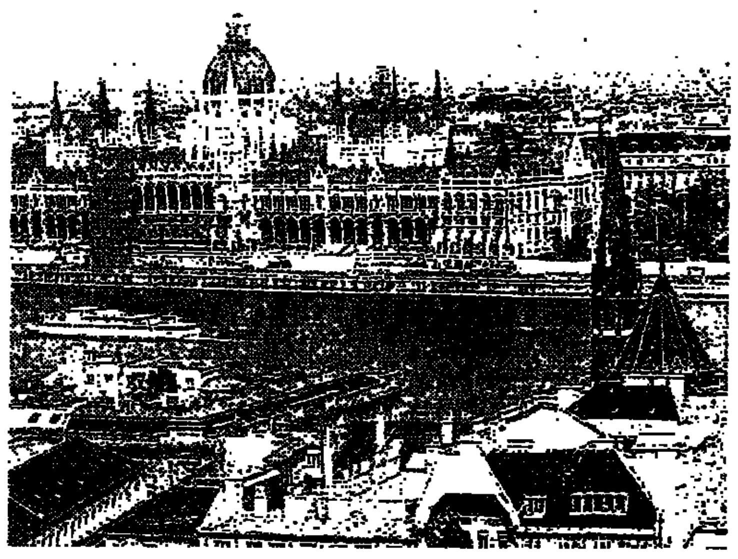
Buy forints, the local currency, at the hotel. Hard currency is no longer preferred tender. Those in search of east European adventure and a better exchange rate can try the grey market. Deal only with the Arab money-changers, who won't cheat you, on Petofi Sandor utca (street) or in the Italian restaurant on Regiposta utca.

When you set out on your business appointments, make sure you have a thick wad of business cards. Hungarians rival the Japanese in their enthusiasm for the ritual of card-exchanging. Running out is embarrassing and damaging to credibility.

Be careful how you read a Hungarian's name. The Hungarian style is to put surname first, familiar name second. Foreigners often get confused, and are inadvertently over-familiar with senior officials and executives. No matter how many people are in the room, shake hands with everybody on arriving and leaving, and on first and subsequent meetings, no matter how awkward it seems.

It is imperative to ask someone with local knowledge – a consultant, investment banker or commercial counsellor – to suggest or arrange meetings. Go to the top, but not necessarily the very top. In many ministries and Hungarian companies there is a younger English- or German-speaking official who can tell you far more than his or her boss would.

Business attire is relaxed. Air-conditioning is rare at ministries and local companies, so it is acceptable to wear short-sleeved shirts in summer. Hungarians loosen ties and often dispense with them altogether by late afternoon.



Jeremy Hartley

Riverside view: Budapest's parliament building from across the Danube

Inviting a business partner to lunch is a good way to establish a more personal relationship, as it is in the west. The Kempinski, Kacsa and Szinbad restaurants are safe choices. To impress, opt for the Gundel, a grand restaurant next to the city zoo, refurbished at great expense by George Lang.

Western expatriates often grow sick of Hungary's rich cuisine. Suggest Amadeus or Cyrano, both in the city centre, for something lighter. Alcohol with a meal is customary.

Budapest is more than a collection of hotels, ministries and company headquarters connected by taxi rides. The city has one of the world's most dramatic urban geographies. The Gellert hill in Buda rises sheer above the Danube – it looms over the grand boulevards of Pest and the great Hungarian plain beyond it. Budapest is livelier than pretty Prague, better preserved than bombed-out Warsaw.

Start a summer evening in the courtyard of Kis Buda Gyongye, which offers Hungarian food as light – and service as good – as it gets. Then sample the nightlife, which has a rather raunchy tradition. Edward VII, while Prince of Wales, was a fan of the notorious turn-of-the-century night clubs.

Nincs Pardon, Crazy Café and Paris Texas are among the better bars. The discos of the moment are Saigon and Mad Block. The Tilos az A is a three-level club where live bands and DJs vie to play some of the best and worst music in town. Ring the bell at the Piaf piano bar, and round off the evening watching drunken actors stumbling against the backdrop of red velvet décor.

Saturday is no day to sleep in. The thermal baths close at noon. The Gellert is the most famous, but insiders prefer the Rudas, which dates back to the Turkish occupation.

Spend the afternoon drinking endless coffee and scoffing pastry in one of Budapest's cafés, legacies of the Austro-Hungarian empire. The Gerbeaud is the grandest, but over-ridden by tourists, so a better choice is the Muvesz, opposite the neo-Renaissance Opera.

The elegant Café Gusto offers an alternative to the usual heart-attack cakes; it has the best salads in town. Then again, this is Budapest, so perhaps excess is in order.

Hand in hand with US immigration

Palm-reading could cut the queues at New York airports, says **Kate Bevan**

Regular travellers to New York are developing an interest in palmistry. This is not a shift to new-age philosophy, but a way of bypassing the queues and endless form-filling that are part of entering the US.

The US immigration service's Inspass scheme, which identifies passengers by their palms, is being tried for a year at New York's John F. Kennedy and Newark airports in conjunction with airlines. British Airways says 4,000 regular passengers have joined the scheme through its frequent-flyer club.

Inspass – which stands for Immigration and Naturalisation Services Passenger Accelerated Service System – can cut the time to complete immigration formalities to 20 seconds. The system uses a reader to measure your palm – each person's is unique – and record the details on a database.

British Airways says the system can cope with subtle changes to your hand by updating the database each time you place your hand in the reader.

If you travel regularly to New York, it is worthwhile joining the scheme – particularly as it is free while the system is on trial. To register, find the Inspass office – there is one at each terminal – where your palm will be guided into a measuring box and read by biometric technology, which encodes your details on to a card.

You will also have to fill in a form, with the familiar questions on drug-dealing, Nazi or spying activities. But once you are a member of the scheme, that will be the last US immigration form you have to fill out, and you can use the card on your next trip.

From then on, all you have to do when you arrive in New York is put your hand in the box and the card through the reader, and key in your flight and airline details. The computer issues immigration forms and unlocks the gate into the baggage hall. This does not spare you from the customs officials, but does allow you to skip the grilling by immigration personnel.

One regular user, Mr Lynwood Bell, a Canadian merchant banker, welcomes the speed with which the system lets him into the US. But he has some reservations: "It's a clumsy system. For example, it doesn't use a swipe card – you have to put it in a reader and it clunks through. The hand-reader is awkward too. You have to manoeuvre your fingers around four small posts." He is also concerned about the complexity of the system: "Every time I've used it, someone has had to be rescued by the agent telling him which button to push."

However, he believes the system is a boon for the regular traveller to the US: "In spite of its shortcomings, it's a useful improvement on a slow process."

MEDIA FUTURES

I've read the future and it spins

Reference works are blooming on CD-Rom but not yet the novel, writes Martin Mulligan

Lydia van der Meer

Compact discs have displaced books at 84 Charing Cross Road, made famous by Helene Hanff, whose work is in glass cabinets

The secondhand bookshop Marks & Co at 84 Charing Cross Road, made famous by a play about its correspondence with the American writer Helene Hanff, is now the Compact Disc Centre.

Inside, a sign over a staircase and a glass cabinet with paperbacks of Ms Hanff's works are the only traces of its former occupancy. TV screens showing Stravinsky's *Oedipus Rex* (Laser Disc version) and *Star Trek VI: The Undiscovered Country* (CD-i version) compete for the browser's attention in that distracting environment common to electronic emporia everywhere.

The former bookshop symbolises the fate which jeremiahs insist has overtaken paper-based publishing: classical literary values overrun by barbaric commercialism, battered by a *tsunami* of electronic products.

Changes in sales patterns, new marketplace relationships, and cost-cutting technologies are transforming publishing as the Gatling gun transformed warfare. Computer, telephone, TV, and video appear to be interacting so quickly that even manufacturers are unsure what to produce next.

Against this background, the home computer – thanks to Sonic the Hedgehog, the Brooklyn plumber Super Mario, and others – is vying for television's crown as primary home entertainment format. Publishers seeking to broaden their media base have to board the computer bandwagon.

CD-Rom is tipped to be tomorrow's dominant publishing medium: compact discs that can store video images, text, and stereo sound. Reference works, atlases, cookbooks, and family health manuals have been quickly adapted during the past few years, becoming staple CD-Rom fare. The "reader", by clicking a mouse, can explore a vast network of text and moving images. Sales figures suggest that more encyclopedias are now sold on CD-Rom than in book form.

Yet the fact is that the *wider* creative possibilities are so poorly understood that unprecedented creative alliances of artists and technicians will have to be forged before the medium can come of age.

A few pioneering entertainment CD-Roms already exist. Peter Gabriel's interactive music CD-Rom *Xplora1* led the way, and David Bowie has followed suit recently with *Jump*, a disc incorporating interview clips, music video, point-and-click elements galore, and even the option to remix a song.

The way forward for literature and popular fiction (or *hyperfiction*) on CD-Rom is much harder to see.

Andromeda Interactive's *Classic Library* contains the complete works of Shakespeare, Chaucer, Jane Austen, Dickens, Poe and Melville, and W. B. Yeats, but such a disc full of words is useful chiefly as a study tool which allows swifter word-searches than paper versions.

Real multimedia products are much rarer than text-dumped-to-CD offerings. A notable exception which may be a premonition of future products is HarperCollins-Nimbus' *The Brontë Sisters*. This CD-Rom includes sketches, poems, essays, diary entries and biographies of the sisters, alongside photos of 60 Brontë museum treasures from the Howarth Parsonage. The reader can summon an image of the desk the sisters wrote at or the bridal veil worn by Charlotte next to diary entries or passages from the novels which relate to those items.

A chief obstacle to the CD-Rom and multimedia revolution is that, as an Anglo-American wit has observed, "Before I can get on to the information superhighway I need to get off my driveway."

Youngsters adapt to the new media at primary school, but many adults are technophobes. The jungle of products and lack of standardisation are bewildering and discouraging.

Kanwal Sharma, marketing manager for new media for Apple Computer UK, admits that while CD-Rom and multimedia have been around for two or three years "the information flow seems to have stopped with the technology producers."

Too few people in local markets own CD-Rom equipment at the moment to make such publishing viable unless on a global scale.

The London market's darling, Dorling Kindersley, proves the point.

A publisher of high quality illustrated books, with an extensive information-based backlist, Dorling Kindersley has a foreign co-editions network already in place.

Without such a network, the market for this technology is too small at present in the UK, or in any single country, for publishers to make a sizeable profit, although consumer adoption of CD-Rom is strongest in North America.

It is hard nevertheless to escape the conclusion that if Shakespeare were alive today, he'd be looking for ways to work on CD-Rom.

Another point in CD-Rom's favour is that discs can be mass-produced very cheaply. Paper-based production costs are astronomical by comparison.

Yet books remain the favoured currency in 1990s publishing, defying their electronic rivals. Here too, there have been enormous changes. Paperback sales now routinely take precedence over hardcover, while wholesalers and retailers increasingly influence what finds its way into print.

W. H. Smith, whose stores account for one third of UK fiction sales, is so confident in its knowledge of its consumers' tastes that it has taken the driving seat to steer the publishing process in the direction the company chooses with its Fresh Talent programme, now in its second year.

"The object," says Graham Edmonds, product manager for paperback fiction, "is to bring a good deal for new writers".

W. H. Smith asks the main paperback publishers for recommendations, a team of seven people reads manuscripts from suggested authors, and if they are unanimously enthusiastic, the work appears under the Fresh Talent banner. Penguin, Black Swan, Signet, Corgi and Hodder Headline are the participating publishers for 1994.

Reports of the death of the book, in brief, are much exaggerated. Paper-based reading may not be the chief hallmark of an intellectually active person much longer, and CD-Rom will find its Shakespeare sooner or later, but it is certainly too soon to be consigning the work of Helene Hanff to glass cabinets.

Managers who fear the office technology gap

By Alan Cane

Wanted: senior executive. Must have above average management skills and perform competently in front of the television cameras

New technologies, such as electronic mail and video conferencing, can bring dramatic improvements to an organisation's internal communications – at a price.

Problems include middle managers feeling they are being undermined, as senior managers communicate directly with all employees, and tensions arising from a generation gap between technologically illiterate managers and computer literate staff.

These are among the findings of a study by Smythe Dorward Lambert, a London-based consultancy specialising in internal communications. It argues there is a powerful need for guidelines to ensure that the power of the new technologies is not abused. "Areas covered" it says "should include frequency, targeting, matching media to audience, building in two-way response mechanisms, the continuing importance of face-to-face communications, the right to privacy for employees and the internal security of information".

The study says the technologies which will see the greatest increase in use in the next five years will be electronic mail, personal digital assistants and video conferencing. Telephone conferencing, seen as a poor substitute for face-to-face meetings,may disappear with the spread of desk top video telephones. Voice mail, however, is not proving universally popular: the oil company Texaco reported that only a few of their staff liked it.

Staff have to be trained to use voice mail as IBM UK discovered: "We went too far in removing human contact too quickly" said Mr Nick Temple, the company's chairman: "Unless all the workforce is attuned, it becomes an obstacle".

The new skills that managers will need will include a good presence on screen. . They can no longer expect to be shielded from the direct gaze of their employees because video techniques will increasingly put them in the spotlight.

Managers with better televisual skills could prosper over colleagues who may be equally gifted in other aspects of management: "At least one major technology company is now recruiting senior managers with televisual skills as a key competency" Smythe Dorward says.

However, the study concludes that technological push is still driving the use of communications technology rather than clear business benefits.

Communication Futures Technology, Smythe Dorward Lambert, 55 Drury Lane, London, WC2 5SQ. £75.

Format war may threaten videoconference industry

By Alan Cane

Fears are growing that arguments over standards could plunge the videoconferencing industry into the sort of battle that raged over VHS and Betamax video formats.

Videoconferencing equipment once cost £40,000 or more, limiting its use to multinationals able to afford studio suites and technical backup.

Now, for about £3,000, a miniature video camera and specialised hardware and software can be added to a conventional personal computer to create a desktop conferencing system.

The result is that large companies are showing interest. In the UK, International Business Machines, ICL and Olivetti are providing the machines for British Telecom's extensive trials.

Mr Ian Henley, business development manager for the videoconferencing division of Softwright Systems, feels, however, that the the industry is threatening to fragment into self-interested groups.

Softwright is a small Berkshire-based systems house which developed key elements of the software used by BT and IBM in their videoconferencing systems.

Mr Henley's fears have been intensified by Intel, the world's largest semiconductor company, which this year launched a raft of videoconferencing products complying with its proprietary "Indeo" (Intel Video) standard.

It also announced the establishment of an industry consortium to lay down personal videoconferencing standards. The consortium includes AT&T, Northern Telecom, Compaq and Picturetel.

Mr Henley says that an industry consortium already exists, the curiously named MCCOI (Multimedia Communications Community of Interest) supporting existing standards covering the key technologies used in video conferencing systems – video and data conferencing (known technically as H.320) and multipoint data conferencing (T.120).

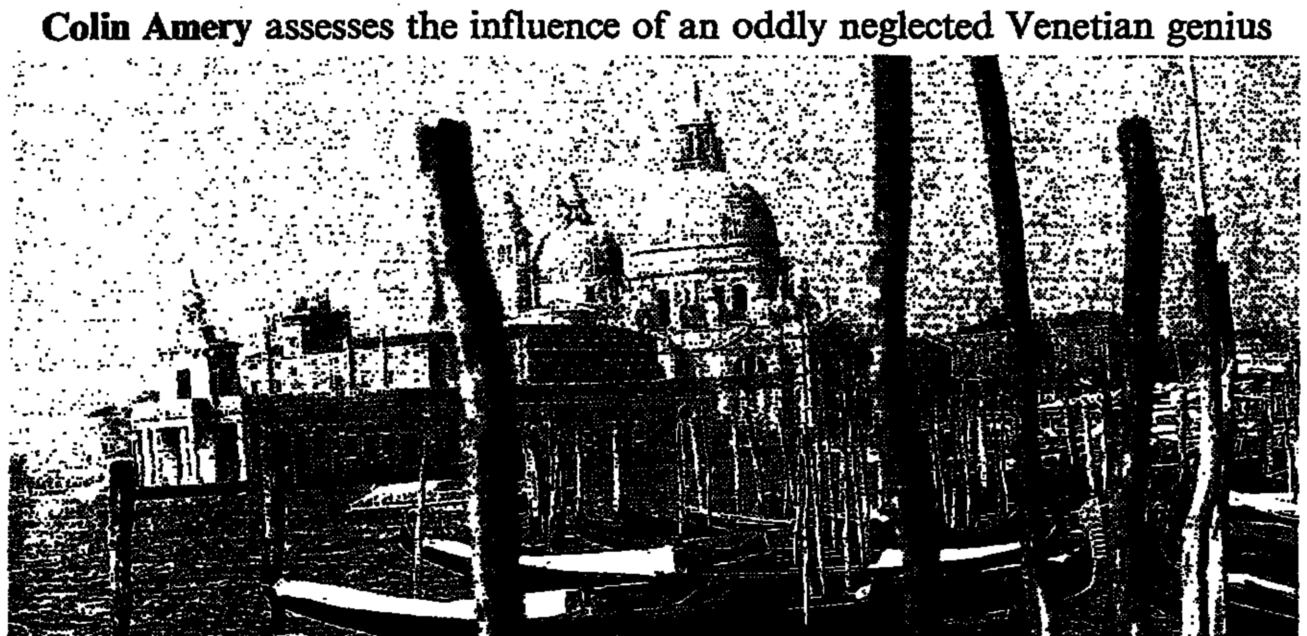
About 72 companies support MCCOI including Apple, BT, IBM and Siemens. Mr Henley asks: "Intel's actions could be interpreted as an attempt to wrestle proprietary control of the desktop video market away from H.320. Could they really be about to launch another VHS/Betamax battle just when the acceptance of H.320 seems to have removed one of the last hurdles to progress?"

Intel replies that it will support both Indeo and the MCCOI standards, arguing that Indeo products – which cost about half as much as H.320 standard systems – are better suited to the price sensitive personal computer market.

ARCHITECTURE

Palladio attracts pilgrims

Colin Amery assesses the influence of an oddly neglected Venetian genius



Santa Maria della Salute: a tour of Venice has a special fascination at this time of year

I am always incredibly moved by the works of Andrea Palladio – I think it must be because you know that you are in the presence of perfection. At this time of the year Italy beckons to anyone interested in architecture and it is as good a time as any for a Palladian pilgrimage.

Palladio was born in Padua in 1508 and he died in Venice in 1580. His career spans the whole period of the High Renaissance but somehow throughout his working life he retained a rare humility and did not enjoy the kind of fame that was received by the great Renaissance architects Michaelangelo and Bramante. You only have to visit the Veneto and read a little about his life to realise why. He never trained as an architect but learned first the skills of a stonemason. It is an astonishing career – rising up from the solid foundations of the workshop to become the leading architect of Venice. His work was regionally based, confined to the north of Italy – mainly in Venice and around Vicenza. He built palaces and great churches as well as villas.

It took time for the young architect to become accepted and his gradual rise follows the acceptance of Renaissance classicism as the style of the day. In Vicenza you can see the classical style creeping up on the gothic. It may just be some Corinthian columns on a gothic loggia but gradually full bloodied classicism arrives. Look at the Palazzo Thiene in Vicenza which Palladio gradually modified in the 1540's. In its inner atrium are the familiar Palladian vaults and on the upper storey the composite pilasters, balustrade and cornice are the first signs of a typical Palladian design.

At the beginning of the sixteenth century the Venetians faced a severe collapse in their fortunes through war against their trading empire and papal interdict. Rich Venetians looked for ways of multiplying their wealth by investing outside the city. As the century progressed, agriculture and land were the preferred investments over trade and it was this that marked the beginning of the growth of the villas of the Veneto. It was luck that the right architect was around to design these villas and to define them as one of greatest contributions to Western civilisation. There was also interest in the idea of a civilised country life and a humanist fascination with the conjunction of arts and agriculture. The Palladian villa was born.

Palladio's influence in this area is so great that it continues to influence the country house and a particular ideal of life in the country. At the Villa Gazzotti Marcello Curti, at Betesina near Vicenza, Palladio stuck a classical facade onto the front of a brick box. It was the first use of temple pediment and in its use of brick and sandstone represents the early essence of the Palladian style. It was also an early villa where the farm was at the centre of things and the granary was likely to be in the roof of the villa itself.

The Villa Saraceno at Finale near Vicenza is a near-perfect example of the genre just restored by the British charity, the Landmark Trust. It still has some of its farmland and is an example of a house built by someone in the 1540s who did not have a great deal of spare money to spend on the facade. Its austerity is, to my eyes, magical. The frescoed rooms remain and to stand in the painted portico is to experience an understanding of the nature of arcadian life and art. As the Landmark Trust lets the villa for holidays, this experience is now available to any one wanting a "Landmark holiday."

It is important not to miss the Basilica in Vicenza where Palladio underwent a crucial architectural test. In 1546 the city fathers decided democratically to complete the arcades of the city's palace. But Palladio did not get the job that easily. A trial bay of the arcades was built on the site in the form of a full-size wooden model. The city had a chance to look and to criticise the scheme before there was any hope of it going ahead. No modern architect ever has to undergo such a rigorous process of approval today. The end result is one of the finest civic buildings in Europe. Proof of the wisdom of popular taste?

Once you have seen Vicenza and all the villas of the Veneto, it is time to leave *terra firma* and cross to Venice. Here the Palladian masterpieces are churches. If you stand by the Punta della Dogana, better known as the Old Custom House, at the entrance to the Grand Canal you see one of the finest architectural panoramas in the world. Along with the glories of the Doge's Palace and the Library of San Marco, there stands San Giorgio Maggiore and to the west the church of the Redentore. Both of these are by Palladio and both of them are calm masterpieces.

Inside, both of these gloriously composed buildings are austerely beautiful. The interiors are cool, grey and white. Their limpid beauty lit by the reflected light from the canals of Venice is something no one ever forgets.

Palladio has recently been thoroughly examined in a brilliant new book that should be read before undertaking any tour. *Palladio, The Architect in his Time* by Bruce Boucher is published by Abbeville Press and John Murray.

PEOPLE

Prime of life at Premier Oil

Roland Shaw briefs Lucy Kellaway on financial muscle, life – and his future

The removers will be hard at work in Belgravia this week clearing out 25 years of detritus from the office of Roland Shaw, the freshly ousted chairman of Premier Consolidated Oilfields.

Out will go the yellowing maps of oil pipelines, the photographs of the bulky ex-occupant shaking hands to clinch a deal, the boxes full of his angry correspondence with newspapers, the model of his great dane.

The man himself left hastily last week, having been given a week to leave by the board. His belongings have been allowed an extra fortnight to vacate the building behind Victoria station they have occupied for so long.

Among the memorabilia is a folder of letters received last week from fellow oil men lamenting the end of an era. Roland Shaw was always in a class of his own.

Bigger, noisier, and brasher than everyone else, he stood out from the start in an industry composed of faceless individuals from the oil majors or bankers and accountants that used to run the oil independents.

When he arrived in what he calls "London comma England" from Dallas in the 1960s he fitted the stereotype of what an oil magnate ought to be.

Shaw may have started life as a diplomat, but by the time he gravitated to the oil industry he was a loud-mouthed deal maker, with a whisky glass always to hand.

On Shaw's last full day in the office, he sat behind his big desk quite his usual self. "Come before lunch I'll make more sense then," he had promised.

He greeted me with his normal reprimand about my supposedly misleading reporting in the Financial Times, and then waved a sheaf of yellow paper on which he had written down all the important points he wished to get across during the interview.

He made it clear that he had been kicked out, yet for someone who has never minced a word in his life, was uncharacteristically short on explanation.

Equally unspecific, Charles Jamieson, the chief executive later talked in clichés about there "coming a time when everyone feels it is time to move on". What he meant, but was too gentlemanly to say, was that there comes a time when companies have to get rid of their domineering founders.

The first break was in 1992 when the board stripped Shaw of his executive position. The new non-executive role suited neither him nor his colleagues: the man who had built up the company almost from scratch to a company that at the peak of the oil market was worth £500m, could not resist interfering.

"The thought of Roland Shaw as a non-executive was always a joke," says an ex-colleague. "He is one of those impossible characters in terms of having his own way. If you don't agree with him he threatens to take his ball home".

Shaw admits the arrangement did not work: "I haven't found it easy over the last couple of years to sit back. I have kept board advised over my views, but different people have different concepts of how it should be run, and the board asked me to step down."

Age was one reason for his departure. The City is increasingly opposed to senior citizens on the board, and was quite unmoved by Shaw's cheeky protests that at 72 he was nearly 20 years younger than the great Armand Hammer when he stepped aside as chief executive at Occidental.

"I don't like this ageism," he says. "I was 62 when I bought the stake in Wytch Farm (Britain's biggest onshore oilfield). I was 64 when I bought the Burmah stake. If you had knocked me out at 60 the company would still be worth £20m".

Even those people who found Shaw intolerable as a boss, agree that the company was built on his irresistable charm, and iron will.

Premier has barely ever discovered any of the blackstuff itself, but had grown through the determination and shrewd dealmaking of its boss. According to Julian West, head of corporate development at Enterprise Oil, Shaw made the company by "insisting there should be one".

It is his personality to which Premier owes its independence. When fellow independent Carless Capel Leonard bid for the company in 1984, shareholders decided overwhelmingly to stay with Shaw, and the company has been more or less left alone ever since.

But in the last six years – since the fall in the oil price – there has been less place for the original oil man. Shaw still believes that the role of an exploration and production company is to live on its wits, getting licences and doing deals. But the market no longer agrees; indeed the few smaller independents that thrived recently have been financial vehicles rather than real oil companies of Shaw's variety.

Shaw's individuality makes him a disaster as a corporate man. He speaks with longing of the early days when "you didn't have to worry about gobbledegook of large companies". With him gone, it can only be a matter of time before Premier hires its first "human resources officer" – Shaw can hardly bring himself to say the words – or starts a house magazine.

Turning to his list of serious beefs, Shaw's first target was the City, and its tendency to look at independent oil companies as if they were building societies.

"People in the City are like children," he says. "They have a seven year memory. When something goes wrong they flex their muscles and take a decision. After a while the muscles go flabby and they forget". He handed me a copy of a recent speech given to oil analysts entitled: "How with a little bit of help, I lost £350 million in the Independent Oil Game".

It was vintage Shaw – an uproarious account of Premier's worst moments. "When the whore-house burns down the pretty ones run out with the ugly," was how Shaw explained that a precipitous plunge in the share price over the last few years was not unique to Premier.

The analysts – whom Shaw dismissively describes as "very young and have been to business school" – took notes throughout, mindlessly writing down even a bawdy joke about the refurbished urinals at the Garrick club.

Shaw bemoans the new homogeneity of business and City folk. The problem, he says, are all the "institutions, rules and regulations which are clogging the veins".

In particular he thinks the new corporate governance rules are a waste of time: "Clever crooks will still run away with the money no matter what".

The business world has probably not heard the last of Roland Shaw, and neither have the Premier management. "I am free to do other things." Shaw remains chairman of Heritage Oil and Gas. "I am also going to take a good look to see if there is anything to do to help other shareholders in this company".

Was that a veiled threat? He says no. It was "a sincere indication that I have a large stake, and if I have any bright thoughts I will pass them on".

This was Roland Shaw talking big. He tirelessly refers to his millions of Premier shares and share options, but he does not mention that these amount to barely 1 per cent of the company.

With his Premier days over, Shaw will have all the more time to get angry about what he reads in the papers. He claims he is not as irascible as he used to be. But the day when Roland Shaw stands up in public heartily approving of some new trend, then an era really will have come to an end.

NAMES IN THE NEWS

Leahy flies higher at Airbus Industrie

Airbus Industrie has appointed an American to head its commercial activities at a time when the European aircraft manufacturing consortium is seeking to increase its market share at the expense of its bigger US rival Boeing, writes Paul Betts.

The appointment of John Leahy as the European consortium's new Senior Vice President Commercial also reflects the gradual transformation of Airbus into a more commercially driven enterprise.

"It is a sign of a certain maturity in the 20 year old Airbus system," said a senior Airbus executive. "It shows that senior jobs are not awarded on the basis of an individual's passport and you don't have to be a national of one of the four European partner countries to be appointed to a top job at Airbus," he added.

Although Leahy is the second American to be appointed to the top sales job at Airbus, senior vice president positions have in the past tended to reflect a delicate balance of the four Airbus partner countries including France, Germany, the UK and Spain.

Leahy is replacing Charles Masefield, a British Aerospace executive who took over the top Airbus commercial position only five months ago.

Masefield is stepping down following his nomination as the next head of the UK Government Defence Sales Export Organisation.

Leahy is described by colleagues as a "street fighter" who has come up the ranks at Airbus. He joined the European consortium from Piper Aircraft in 1985 as marketing director of the group's North American division. The 44-year-old Leahy became president of the North American division in 1992.

Cyanamid's quiet Costello

If Albert Costello sounded terse last week about someone wanting to take over his company, it's not surprising, writes Richard Waters.

The chairman and chief executive of American Cyanamid has won plaudits from Wall Street for giving the company a new sense of direction in the 18 months he has been at the helm.

His move to spin off Cyanamid's chemicals operations and add to its profitable crops business had helped lift the share price by 50 per cent in recent months.

Last week, though, American Home Products offered half as much again to buy the company.

Costello looks a company man through and through. Trained as a chemist, he has worked at Cyanamid since 1957 and rose through the ranks to head the agricultural products side of the company before being named president in 1990. On the way, he ran Cyanamid's Spanish operations and worked in Mexico.

Costello's curt initial response to last week's bid was a statement that his board was reviewing "a number of strategic options." In the US takeover market these days, where directors tread warily for fear of lawsuits from their shareholders, that amounts to putting up a sign that you do not want to be bought.

Unfortunately for Costello, though, few doubt that, with such a premium being offered, his company will fall to Home Products, if not some other bidder.

Chisholm stays the course

Out-bellowing the pugnacious former editor of The Sun newspaper takes practice. The harsh world of Australian commercial television is obviously not a bad place to start, writes Katharine Campbell.

For that is the background of Sam Chisholm, the straight-talking chief executive of British Sky Broadcasting, and the man to whom Kelvin MacKenzie reported for the seven short months he passed in the world of TV before he stormed out last week.

A physically diminutive New Zealander, whose energy levels belie his 54 years, Chisholm has become one of the most trusted lieutenants of BSkyB's largest shareholder Rupert Murdoch. He is abrasive, he is cunning - and he shuns the press almost obsessively.

Brought up in Auckland, Chisholm left school to work on the family farm.

Via a spell peddling floor polish, he arrived, aged 25, at Australia's largest commercial TV station, Channel Nine. Initially selling air space, he rose to the top, and ran the network for 15 years.

For the bulk of Chisholm's time, his master was Kerry Packer, whose father Sir Frank had founded the station in 1956. With a mix of heavily American-influenced sport, news, and games shows, the channel flourished under Chisholm's baton, so much so that in 1987 Packer was able to wring more than A$1bn from Alan Bond for its sale.

Just three years later, Packer was back at the helm, having paid the hard-pressed Bond a mere A$200m. But Chisholm was by now too closely identified with high-rolling times at what had become known as the Bollinger channel.

Shortly after the resale, a third Australian media mogul walked into Chisholm's path, and he accepted an offer from Murdoch to run Sky.

Moving to London in the autumn of 1990, Chisholm was by November in charge of the merged BSkyB - a consortium in which Pearson, owner of the Financial Times, has a significant stake - and embarking on what at the time seemed the hopeless task of reversing the ailing fortunes of the satellite broadcaster.

His perseverance was rewarded last December with a seat on the board of News Corporation, and responsibility for the company's broadcasting interests outside the US.

With MacKenzie installed as managing director shortly thereafter, Chisholm had been expected to distance himself from the daily management issues in London. But while he spent a proportion of his time this year in Hong Kong with Murdoch's newly acquired Star TV, that shift had yet to take place.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Amber Industrial 14p
BP 2.5p
Charter 15.5p
Dobson Park 1.2p
Five Oaks Invs. 8⅜% 1st Mtg. Deb. 2019 £4.1875
GEI International 1.5p
Hardys & Hansons 3.4p
Healthcare Operators Class B Mtg. Bkd. FRN's 2021 £184.93
Henderson Highland Trust 1.4p
I&S Optimum Income Trust 1.95p
Kobe (City of) 7½% Gtd. Bds. 2002 $375
Latham (James) 2.5p
Mazda Motor FRN's Aug 1996 Y65406
Do. FRN's Nov 1996 Y65406
Northern Foods 6¾% Cnv. Sub. Bds. 2008 £33.75
Powell Duffryn 17p
Salvesen (Christian) 4.8p
Tiger Oats 5½% Prf. R0.055
Tokyo Electric Power 7⅝% Nts. 1997 C$381.25
VSEL 23.5p

■ **TOMORROW**
Anchor International $0.0824
Coats Viyella 6¼% Senior Cnv. Bds. 2003 £31.25
Collateralised Mortgage Securities (No. 12) Class B Mtg. Bkd. FRN's 2028 £180.75
Hapoalim International NV Gtd. FRN's 2000 $213.68
Inch Kenneth Kajang Rubber 8p
Nova Scotia (Province of) FRN's 1999 $121.39
Staveley Industries 6.2p

■ **WEDNESDAY AUGUST 10**
American Express $0.225
Baggeridge Brick 0.75p
Caldwell Invs. 0.3875p
Caledonia Invs. 10.8p
Castings 3.65p
Conversion 9¾% 2001 £4.875
Delian Lloyd's Inv. Trust 0.5p
Irish Permanent Bldg. Soc. 6½% Bds. 1999 IR3.25
Nomura International Sub. FRN's 2004 $125.69
Waddington (John) 4.7p

■ **THURSDAY AUGUST 11**
Barr (AG) 2p
Denmans Electrical 2.1p
Electra Inv. Trust 3.55p
Renold 1.8p
Southern Business 1.27p
Storehouse 3p
Willoughby's Consolidated 1p
Do. Pfd. 1p

■ **FRIDAY AUGUST 12**
Break for the Border 0.67p
Cranswick 5.85p
David Lloyd Leisure 1.45p
Gopeng Berhad M$0.05
Hambros Eurobond & Money Mkt. Fd. Ptg. Red. Prf. (Australian Eurobond) A$0.8
Do. Ptg. Red. Prf. (Continental Eurobond) DM1.42
Do. Ptg. Red. Prf. (Continental Euro. Money Mkt.) DM1.3
Do. Ptg. Red. Prf. (Managed) 15.75p
Do. Ptg. Red. Prf. (North American Eurobond Fund) $0.782
Do. Ptg. Red. Prf. (Sterling Eurobond) 16.1p
Do. Ptg. Red. Prf. (Sterling Money Mkt.) 21.7p
Do. Ptg. Red. Prf. (Dollar Money Mkt.) $0.182
Do. Ptg. Red. Prf. (Dollar Managed) $0.223
Do. Ptg. Red. Prf. (Yen Eurobond) Y47.5
Hogg Robinson 4.35p
Lafarge Coppee Fr13.5
Polar 2.3p
RPC 2.2p
Siam Selective Growth Trust 0.6p
Somic 1.5p
Sterling Industries 4.5p
Tanjong M$0.05
Tesco Capital Cnv. Cap. Bds. 2005 4.5p
Vistec 0.275p
Wah Kwong Shipping HK$0.39

■ **SATURDAY AUGUST 13**
Readicut International 2.81p

■ **SUNDAY AUGUST 14**
Carlton Communications 7½% Cnv. Sub. Bds. 2007 £187.5

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
ACT Group, The Hyatt Regency Hotel, 2 Bridge Street, Birmingham, 10.00
Brown & Tawse Group, The Square, Basing View, Basingstoke, 12.00
Porth Group, Evershed Wells & Hind, 1 Gunpowder Square, Printer Street, E.C., 11.00
BOARD MEETINGS:
Finals:
Mid Wynd International
Tiphook
Interims:
Inspec
Saatchi & Saatchi
United Plantations Africa

■ **TOMORROW**
COMPANY MEETINGS:
Castings, 40 Post House, Birmingham, 3.30
Evans of Leeds, Millshaw, Ring Road, Beeston, Leeds, 12.00
BOARD MEETINGS:
Interims:
Barclays
Edinburgh Oil & Gas
General Accident
Hemmingway Properties
Kleinwort Overseas Investment Trust
Lilleshall
Microvitec
New Ireland Holdings
Shires High-Yielding Smaller Co's Trust
Thornton Pan-European Investment Trust

■ **WEDNESDAY AUGUST 10**
COMPANY MEETINGS:
AAF Industries, 7 Queen Street, W., 11.00
Albrighton, Crossgate Road, Park Farm Industrial Estate, Redditch, Worcestershire, 12.00
Ball (A.H.) Group, 50 Stratton Street, W., 10.00
Christie Group, 2 York Street, W., 10.00
Kembrey, Alban Gate, 125 London Wall E.C., 12.15
Kleinwort Emerging Markets, 10 Fenchurch St, E.C., 12.30
Mountview Estates, Hotel Russell, Russell Square, W.C., 11.00
Wellman, Grand Hotel, Birmingham, 11.00
BOARD MEETINGS:
Finals:
Beales Hunter
Hambros Currency Fund
Scholes
Westminster Health Care
Interims:
Anglo American Industrial Corp
Capital Shopping Centres
F&C Investment Trust
Flying Flowers
GKN
Hambros Eurobond & Money Market Fund
Hickson International
Nichols (JN) (Vimto)
Standard Chartered
Vektra

■ **THURSDAY AUGUST 11**
COMPANY MEETINGS:
Compco Group, 33 Court Street, W., 12.00
Court Cavendish Group, 100 Liverpool Street, E.C. 9.30
Shanks & McEwan Group, Hilton Hotel 1 William Street, Glasgow, 11.00
Somic, Bartle Hall Hotel, Bartle, Preston, Lancs., 12.00
BOARD MEETINGS:
Finals:
Unit Group
Interims:
CIA Group
Drayton Far Eastern Trust
Holliday Chemical
Horace Small Apparel
Johnson Group Cleaners
Reed Executive
Reed International
Royal Insurance
SKF
Smith & Nephew
Transatlantic
Wembley

■ **FRIDAY AUGUST 12**
COMPANY MEETINGS:
Banner Homes, The Forte Hotel, Handy Cross, High Wycombe, Buckinghamshire, 10.30
BOARD MEETINGS:
Interims:
Haden Maclellan
Jupiter International Green Investment Trust
Newcastle Building Society
Nightfreight

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

هكذا من الاصل

ARTS

OPENINGS

PESARO
The annual Rossini festival in this exquisite walled town on the Adriatic opens on Thursday with a new production of L'Italiana in Algeri. Roger Norrington (pictured) makes his Pesaro debut conducting a revival of Semiramide, and Graham Vick joins forces with Carlo Rizzi for a staging of L'inganno felice, the only rarity this year.

EDINBURGH
After winning an international reputation overseas, the Scottish conductor Donald Runnicles returns home to open this year's festival with a performance of Mahler's massive Eighth Symphony. The Edinburgh Festival Theatre has at last become a reality and the festival is celebrating with two wildly contrasting composers of the year, Beethoven and Chabrier.

SCOTLAND: NATIONAL GALLERY
"Monet to Matisse: Landscape Painting in France, 1874-1914" opens at the National Gallery of Scotland on Thursday. This is one of the most ambitious exhibitions mounted by this Gallery, ranging from the famous to lesser known artists like Devambez, who took advantage of the bi-plane to produce one of the first aerial paintings of the countryside.

INNSBRUCK
Best known as a ski centre, this Austrian town is developing a parallel reputation for its summer baroque and early music festival which takes place in the region's historic buildings. This year's festival, opening on Sunday, celebrates the 350th anniversary of Heinrich Biber, the 17th century Bohemian composer who worked in Salzburg.

LONDON THEATRE
Opening at the Greenwich Theatre on Monday is the recent New York hit The Sisters Rosensweig, by Wendy Wasserstein. This British production, directed by Michael Blakemore, stars Maureen Lipman, Janet Suzman and Lynda Bellingham.

BRECON JAZZ
The beard and beret set head for the hills at the weekend for Brecon Jazz, the most convivial of music festivals. Benny Carter and Slide Hampton (pictured) are the main attractions, but there's plenty of atmosphere in the side streets and smaller venues of the Welsh market town

Fringe benefits at Edinburgh

As the Festival opens **Antony Thorncroft** examines the diversification of the world's biggest cultural party

This week they arrive in Edinburgh from every corner of the globe – the wannabe army, over 10,000 strong. They are the performers of the Fringe, the largest festival in the world, which opens next Sunday alongside the International Arts Festival to make Edinburgh, for three weeks, the cultural junkies' Nirvana.

The Fringe has one inestimable advantage over other arts institutions – it is totally non-exclusive. Anyone, can come to the party. Hilary Strong, who took over in May as director, has no plans to close the door. "We will continue the policy of a free and open Festival. It is unique and significant, especially these days when small-scale arts companies are finding it much harder to get their work seen. Here anyone can do what they like".

Strong speaks from experience. She was a member of Natural Theatre Company and played the Assembly Rooms. They lost money but it gave the company exposure and the chance to perfect a show which could then go on tour.

But she is also well aware that the problem with an open market is that the powerful oppress the weak. She tries to bolster artists by telling them that this is really a buyer's market. She has alerted them to the landlord who hoped to make £2,400 during the Festival by cramming 15 artists into a two bedroom flat, and she urges that they refuse to the pay the venues that want £500 a week rent months in advance.

But while the Fringe Office can warn and advise the hopefuls from 40 countries – from Omid Djalili, a half Slovak, half Iranian stand-up comedian, to a troupe of Egyptian actors performing a play written by "Egypt's answer to Andrew Neil" – it can do little about the growing ability of a few well-placed and well-financed venues to dominate the Fringe.

Last year half the 625,000 tickets sold on the Fringe were for shows at just three of the 200 venues – the Assembly Rooms, the Gilded Balloon and the Pleasance. These centrally located complexes with a myriad of stages have, thanks to generous sponsorship by Stella Artois, pooled their marketing efforts and established a super-Fringe. They divide up the top performers between them and offer the punters a choice of big-name artists in agreeable surroundings.

The main complaint about the big three is that they devise their programmes: there is no pretence of an open house for aspiring newcomers. The three directors get together and apportion the talent. Bill Burdett-Coutts at the Assembly Rooms, which fills almost a fifth of all Fringe seats, goes for an equal split between comedians and theatre groups; Karen Korn at the Gilded Balloon favours young and aspiring comics; while Christopher Richardson at the Pleasance blends new theatre troupes with comedians.

The over-riding characteristic of their performers is experience. At the Assembly Rooms you can see Mark Lamarr, Jools Holland and Lee Evans, plus theatre companies Hull Truck and 7:84; at the Pleasance, Frank Skinner, Harry Hill and Tony Hawks; at the Gilded Balloon Sean Hughes and Hatty Hayridge, seasoned television performers all.

Often the same artists appear at the same venue year after year. Their reputations secure good ticket sales, and the artists and the venue operator happily share out a 60-40 box office split. Less happy are the artists who had been hoping to get into one of the venues and who find, at the last minute, they are excluded.

Rival Edinburgh operators see the big three establishing a premier division, leaving the other venues missing out on audiences who think that big means best. The reaction of the competition is – to do the same. This year Edinburgh Venue Associates has grouped together three medium sized venues, Church Hill, Hill Street and Greyfriars Kirkhouse, into a rival marketing operation, but one offering flexible deals to artists. Next year more venues could join in.

Strong is all in favour of the Fringe working in closer harmony. "If someone comes up to see musicals it is sensible if the venues presenting a musical provide information directing audiences to similar shows."

Burdett-Coutts denies that joint planning with the Gilded Balloon and the Pleasance leads to a cosy oligarchy and keeps out aspiring artists. "I'm always looking for new talent. This year there's an American comedian, Robert Schimmel, that no one here has heard of. With 300 applications for 50 places there must be some selection. People do try and buy their way into the Assembly Rooms but what is the point if they fail to sell any tickets? It would be a bad investment."

Burdett-Coutts also thinks that another complaint about the Fringe – that it has become one vast comedy festival – is also an exaggeration. He maintains a balance between the stand ups-and the dramas. Strong says there is less comedy this year, just 167 acts describing themselves this way as against 209 in 1993. Perhaps market forces are at work: the average audience at a Fringe performance last year was an all-time low of 44 per cent.

But if audiences are fed up with navel-gazing monologues from stand-ups, Edinburgh is still the main showcase for comedy and a happy hunting ground for TV producers, agents, and venue operators. About ten years ago Channel Four decided that comedy was the next rock and roll and that Edinburgh was the talent pool. Since then a generation of alternative comedians has quickly become the mainstream. "It is the biggest comedy festival in the world" says John Thoday of Avalon, which manages such Fringe regulars as Frank Skinner, Harry Hill, Richard Herring and Jenny Eclair. "It is much better than the Montreal Comedy Festival where television has editorial control."

A perfect example of the Fringe effect is Harry Hill. He gave up doctoring about four years ago to chance his arm as a comedian. He booked himself into a small, remote Edinburgh venue and caused a few gentle ripples. A year later there were waves. Now he is the next big name, with a radio series under his belt and television beckoning.

The glory of stand-up is its economy – no sets, no payroll. For less than £500 you can tackle Edinburgh: that will cover the rent on a cheap (shared) room (£50), a midday spot in an off-centre venue (£150), a little promotion and living costs. If you are good word seeps out. Frank Skinner, Sean Hughes, Lee Evans all quickly made it through the Fringe, although it helped that they won the annual Perrier Award for best comedy act, which virtually guarantees a television series.

Tim Hawkins of Edinburgh Venue Associates is making things even easier for one group of debutants. He is giving the four young comedians in "New Kids on the Block" a free spot at Hill Street and paying their accommodation. He thinks they will be so successful that he will make money from the box office split.

Just now the Fringe is a happy balance: it retains its anarchic freedom at one level while being a serious commercial operation, contributing well over £10m to the Edinburgh economy, at the other. There is room for Alex and Rod's "improvisational drinking workshop" and for *In one take*, a show about pornography, sado-masochism and Aids. There is a Ukranian company putting on one of eight Shakespeare productions (a record low) at the Infirmary Street Swimming Pool and Ian Saville, socialist conjurer. There are no-hopers who will play to empty benches and Eartha Kitt interpreting Molly Bloom to a packed Church Hill Theatre. There is everything you have ever dreamed about and ever feared. And those who complain most that the Fringe is now too big, that it has sold out to television, that it is just wall to wall comedy, will still be back next year.

Theatre

Lost in the heart of America

The Bush has done it again: the theatre's combination of superlative acting and tight directing can make a new play seem much better than it is. This time, however, it is a close-run thing. Naomi Wallace is an immensely promising dramatist. Only when you measure the standard of the acting against the play itself do the deficiencies become apparent.

The problem, and it is a laudable one, is over-ambition. Even the title is portentous. *In the Heart of America* plays with so many ideas that it is hard to know which is paramount, and there is just the suspicion that it is a trifle trendy.

First there is homosexual love between soldiers (very topical). Then there is ethnic stress in the US – unusual in this case because the minority group is Palestinian Arab-American. Not least, there is the suggestion that some Americans treat all US military interventions abroad as much the same – Korea, Vietnam, Grenada, Panama, the Gulf – and cannot even remember which president sent them in: "Johnson or Bush, whatever the hell his name is."

This last theme would make a play on its own. There is a marvellously drawn character called Boxler, played with matching dexterity by Robert Glenister, for whom war has become a way of life: "It's the only place that feels like home." Boxler doesn't want a war where the US has to fight with one hand tied behind its back, as was said of Vietnam. He wants an operation called "just because".

Boxler, however, is not quite central to the play. The most arresting scenes are between a couple of Americans who go off to the Gulf together, One is conventionally white; the other is a Palestinian American who doesn't speak Arabic and doesn't want to learn. They have a fascination with technology; "Our first kiss was like seeing an aircraft take off vertically". These male lovers are quite beautifully played by Richard Dormer and Zubin Varla respectively. Again here is a drama in itself.

I have doubts about some of the rest of it. Ms Wallace is better at male characters than female. There is a ghost-like woman from Hanoi – a senior commander of the Viet Cong, she says – who appears (perhaps unintentionally) to look back on the American bombing with nostalgia. It is well played, but doesn't quite fit. And the second act is little too like a repetition of the first.

Dominic Dromgoole directs with what one might call military precision, if the military were more precise.

Malcolm Rutherford

Bush Theatre (081) 743 3388.

INTERNATIONAL ARTS GUIDE

■ BERLIN

● Maximilian Schell stars as Professor Higgins in a German-language staging of My Fair Lady directed by Frank Dunlop, opening tomorrow at the Schiller Theater (030-313 5031)

● The Gershwin musical My One and Only, sung in English by a cast headed by Jodi Benson and Ray Benson, runs till Aug 21 at Theater des Westens (030-882 2888)

● The annual open-air Shakespeare production at Freilichtbühne Zitadelle in Spandau is Romeo and Juliet. It runs till Aug 30 (030-331 6920)

● A dance festival runs till Aug 28 at Hebbel-Theater, with Michael Clark heading the bill this week (030-251 0144)

● Pink Floyd gives a concert at Maifeld Olympia Stadium on Aug 21, followed by Phil Collins on Sep 1 (030-809800)

● The 1994 Berlin Festival (Aug 30-Sep 29) includes performances by the Berlin Philharmonic under Abbado, Barenboim, Boulez and Tennstedt, recitals by Pollini, Brendel and Christa Ludwig, guest performances by St Petersburg's Maly Theatre and the Los Angeles Philharmonic, and a focus on the music of Berthold Goldschmidt (030-2548 9250)

■ FRANKFURT

This year's Frankfurt Festival runs from August 26 to October 3 at the Alte Oper. Highlights include concerts by the Israel Philharmonic under Georg Solti, the Chamber Orchestra of Europe under Gennady Rozhdestvensky and the Los Angeles Philharmonic under Esa-Pekka Salonen, a performance of Mahler's Eighth Symphony conducted by Marek Janowski, world premieres of works by Wolfgang Rihm, Luca Lombardi and Edison Denisov, and recitals by Anne Sophie Mutter, Midori and Mitsuko Uchida (069-134 0400)

■ GENEVA

The city of Geneva organises a series of concerts throughout the summer, some of them free open-air events. Tonight's concert in the Monday jazz series at Cour de l'Hôtel de Ville features piano/sax duo Dado Moroni and George Robert, followed next week by Rhoda Scott. The international music series at Théâtre de Verdure continues with the Original Prague Syncopated Orchestra on Wed. The classical music series has the Orchestre de la Suisse Romande on Thurs (Stravinsky, Koetsier and Mendelssohn) and Sat (Rossini, Bottesini, Debussy and Falla). The orchestra has a further concert on Aug 17 (022-786 5545/022-312 4353)

■ HAMBURG

David Merrick's musical 42nd Street opens on Wed for a three-week run at the Deutsches Schauspielhaus (040-248713)

■ NEW YORK

THEATRE

● Angels in America: Tony Kushner's two-part epic conjures a vision of America at the edge of disaster. Part one is Millenium Approaches, part two Perestroika, played on separate evenings (Walter Kerr, 219 West 48th St, 239 6200)

● Three Tall Women: a moving, poetic play by Edward Albee, dominated by the huge, heroic performance of Myra Carter. She, Jordan Baker and the droll and delightful Marian Seldes represent three generations of women trying to sort out their pasts (Promenade, Broadway at 76th St, 239 6200)

● Laughter on the 23rd Floor: Neil Simon's 27th Broadway play, about a group of writers trying to come up with a new show, is one of his finest comic efforts. Directed by Jerry Zaks (Richard Rodgers, 226 West 46th St, 307 4100)

● Kiss of the Spider Woman: Vanessa Williams has taken over Chita Rivera's starring role in the long-running Kander and Ebb musical directed by Harold Prince (Broadhurst, 235 West 44th St, 239 6200)

● Damn Yankees: the big musical hit of 1955 is back in its first Broadway revival, with Victor Garber as the Devil and Bebe Neuwirth as Lola. The director, Jack O'Brien, has extensively re-written the story, about a baseball fan who sells his soul to rescue his favourite team from a losing season (Marquis, Broadway at 45th St, 307 4100)

● Crazy for You: the musical based on Gershwin's Girl Crazy recently passed its second anniversary on Broadway. A highlight of this glitzy entertainment is Susan Stroman's choreography (Shubert, 225 West 44th St, 239 6200)

● Guys and Dolls: a top-notch revival of the 1950 musical about gangsters, gamblers and good-time girls around Times Square (Martin Beck, 302 West 45th St, 239 6200)

● Carousel: Nicholas Hytner's bold, beautiful National Theatre production from London launches Rodgers and Hammerstein towards the 21st century (Vivian Beaumont, Lincoln Center, 239 6200)

● Tommy: a musical written and composed by Pete Townshend, based on the 1969 rock opera by The Who, about a withdrawn young boy who becomes a pinball wizard (St James, 246 West 44th St, 239 6200)

● Tony 'n' Tina's Wedding: a wedding at St John's Church, 81 Christopher Street, followed by a reception at 147 Waverly Place; with Italian buffet, champagne and wedding cake. Wonderfully tacky - but it's lasted longer than many marriages (279 4200)

MUSIC

The Lincoln Center's Mostly Mozart Festival runs daily except Sun till Aug 20. Tonight's recital is given by Canadian Brass and includes works by Mozart, Dedrick and Gabrieli. Hans Vonk conducts the Mostly Mozart Orchestra tomorrow and Wed in works by Mozart and Beethoven, with piano soloist André Watts. Orion String Quartet, with clarinet soloist Richard Stoltzman, plays chamber works by Mozart and Schubert on Thurs. Horacio Gutierrez is piano soloist on Fri and Sat (875 5030)

■ PRAGUE

Prague Musical Summer, a concert series organised by the Prague Symphony Orchestra, runs till Sep 6 in three venues - the Church of Saints Simon and Jude, the South Garden of Prague Castle and the Dvorak Hall of the Rudolfinum. Tonight's concert by the Gustav Mahler Jugendorchester is conducted by Neeme Järvi and features works by Richard Strauss and Shostakovich. Gioia Della Musica presents a concert of baroque music on Wed, and Prague String Quartet plays works by Kramar, Beethoven and Dvorak on Thurs (02-2489 3111). Tickets and information for other events can be obtained at Bohemia Ticket International at Na Prikope 16 in the city centre (02-2421 5031) or from abroad at BTI, Salvatorska 6, 11000 Prague 1 (tel 02-2422 7832 fax 02-2481 0368)

■ STUTTGART

LUDWIGSBURG FESTIVAL
Cleveland Quartet, with clarinet soloist Giora Feidman, plays works by Haydn, Golyov and Dvorak on Fri. Edith Wiens and Simon Estes give song recitals on Sat. Other forthcoming events include the Cleveland Orchestra under Christoph von Dohnanyi on Aug 25 and the Pittsburgh Symphony Orchestra under Lorin Maazel on Aug 28. The festival runs till Sep 25 (07141-939610)

■ VIENNA

● The Roman ruin in the park of Schönbrunn, the former residence of the Hapsburgs, provides an open-air venue for the Wiener Kammeroper's summer productions. Don Giovanni opens tomorrow and runs daily except Wed and Sun till Aug 27 (01-513 0851)

● Vienna's summer concert series, Klangbogen Wien, runs till Aug 30 at various venues throughout the city. This week's highlights: Neeme Järvi conducts the Gustav Mahler Jugendorchester in a Strauss and Shostakovich programme on Thurs at the Konzerthaus, with piano soloist Hélène; Simon Joly conducts the BBC Singers in English choral music on Fri at the Augustinerkirche (01-4000 8410)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals guide.
Thursday: Festivals guide.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Awful lapse in taste

Clement Crisp laments the dire state of British cooking

Things which never would be missed

Triangles of Camembert, coated in flaked almonds, deep-fried and served with a cranberry sauce." Something from the canteen in hell? "Iced aubergine and raspberry soup." Ideal for clearing blocked drains? "Mary's starter is a ramekin of snails in a ginger and avocado sauce; then noisettes of Welsh kid baked in filo pastry, with a port and coriander coulis, served with a gratiné of turnip and sorrel, followed by melon with brandy-snaps on a lime and walnut sorbet." BBC TV's *Master Chef* – or as near as gorge-risingly dammit. The first two items are from life: one was part of a "pub lunch"; the other comes courtesy of a newspaper cookery writer. Television viewers will recognise the style and hateful probability of the third.

They are all part of the latest and by no means happiest chapter in British cooking. Part of my plea about food in Britain today is that we must have an end to tormented grub, to gastronomic adventures as pretentious and improbable as those we find in cookery articles, in garrulous food programmes on television, and especially in that apotheosis of the Cuisine Fancy-Schmancy propounded by *Master Chef*, where the ingredients are as tortured as the presenter's vowels.

Years ago, in a revue, Kenneth Williams was seen pushing food angrily round his plate in a restaurant with the cry "Filthy Foreign Muck!" Nowadays, still haunted by very proper feelings of inferiority about our nation's cooking, we are gulled by writers, by the food industry, by makers of packaged meals (that deep-fried Camembert affront came, I'll bet, in icy blocks from Borgia Deep Freeze Ltd) into believing that complicated is good, and probably "continental". Complicated food is, on the whole, stupid, palate-numbing, bad. It commits the greatest sin by denying ingredients their nature, flavour, texture.

So, instead of concentrating upon freshness, upon clarity of cooking and presentation, hotels, restaurants, cooks at home are bombarded with ideas about elaboration and artifice by manufacturers, by writers in newspapers and magazines, and most insidiously by the television cookery industry. A friend, who is a good and blessedly unfussy cook, dined with a food writer. Offered a dish, she was invited to "guess what is in it?" She found it impossible to say, and was rewarded by a gratified cry: "Isn't it wonderful: no one can tell!"

The real tragedy of all this misdirected fervour for innovation is that much basic British food remains as disgusting as ever it was. We believe in Fast Food, an American gospel that has spread everywhere, so that Moscow's first taste (inapt word) of western cooking was a hamburger. Pap, tasteless but colourful, zipped up with sauces and about as nutritious as blotting paper, with a fizzy cola to wash it down, is what too many people now believe is nourishment. We accept the mediocre in food shops and in hotels and restaurants, and are gulled by the titles of dishes rather than by their taste.

It is time for the Eater's Revolt, the Foodie's Crusade. Away with pre-packed meat, with bruised fruit in dear little plastic baskets, with supermarket fish that last saw the sea a year ago, with vegetables "garden-fresh" and "morning-gathered" and old as time, with prepared meals whose chief merit lies in the caprices of description on the packet. To hell with airport catering; with fake Indian, Thai, Chinese, Italian dishes in the supermarket that taste of salt, garlic and flour; with "instant noodles" and "soup" in a plastic cup that require just hot water – and dead taste-buds. To the devil with any fish served "in delicious breadcrumbs" that are a carapace of cheap paste over the world's smallest piece of plaice. And to perdition with hotels and restaurants – and some pretty grand establishments at that – which care more for words on the menu than deeds in the kitchen.

In one such expensive hell-hole I was recently served lukewarm fish with a garnish of chilly vegetables. (I was a guest and couldn't make a fuss.) In a pretentious Edinburgh hotel last month a request for "the green salad" brought a confection of par-boiled leeks, beans and exhausted vegetation, and the "vegetable risotto" was most notable for chunks of raw-ish aubergine. A protest brought the remark: "I'm sorry you didn't enjoy it" and the bill.

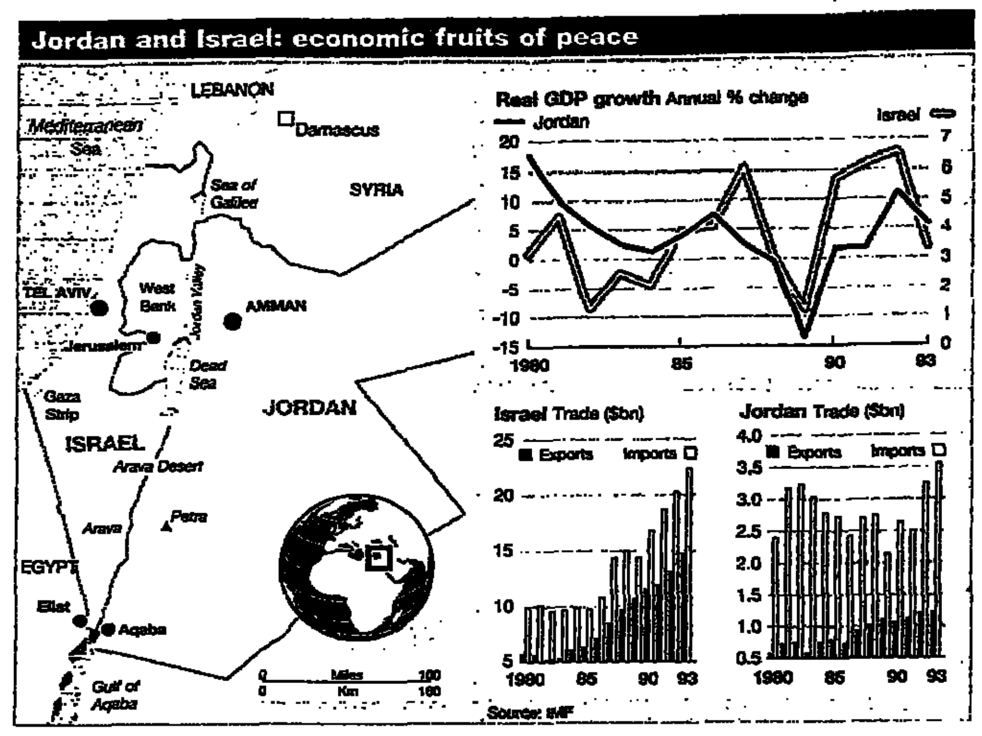
Is there any real remedy for this situation – for the culinary pretentiousness, for the inadequacy of ingredients? We make the best protest with our purses, avoiding the offenders. (I have a satisfying private campaign, black-mouthing certain restaurants to anyone who will listen.) We must complain at the time, and since this will usually have no effect, we may even lose our tempers – very un-English, save in traffic jams. Not that this will do any good either, but it relieves the feelings.

I record that a few months ago I went with foodie friends to a new roof-top "bistro" in London. (The difference between the service in a French bistro – fast, efficient, knowledgeable – and the willowy and bemused youths taking our order was cause enough for alarm.) We were not allowed to arrive until 8.15 – "we like to stagger the seating to provide better service" – and a 40-minute wait between courses was explained by the fact that "we think our customers enjoy talking". *And* the food was boring. We must never forget, though, that in Britain the customer is always wrong.

Egon Ronay has done marvels with his food guides, and Gault et Millau in France are tremendously avenging angels when the occasion demands it. What we really need now is *The Bad Food Guide* to list shops, chefs, restaurants, fast-food outlets, supermarket chains, pubs and hotels. Alas, it would run to as many pages as the OED. But we must fight back at the purveyors of junk. Foodies, unite! We have nothing to lose but our stomachs, and they have already been undermined.

Bounty along the border line

Julian Ozanne on the likely economic benefits of improved relations between Israel and Jordan



Coils of razor wire and land mines will finally be removed today to make way for a new Middle East border crossing between the Red Sea cities of Aqaba and Eilat. The opening of the crossing by Crown Prince Hassan of Jordan and Israeli Prime Minister Yitzhak Rabin will inaugurate a new era of economic relations between the neighbouring states, following the formal opening of direct telephone links between them by King Hussein and Israeli president Ezer Weizman yesterday.

The two ground-breaking measures are the latest steps in what promises to be a turning point in the Middle East after nearly half a century of Arab-Israeli conflict. While the Middle East common market foreseen by Mr Shimon Peres, Israel's foreign minister, remains a distant dream, Israel and Jordan will co-operate on several economic fronts.

Less than two weeks after the two sides formally ended their 46-year state of war, they have revealed an extensive agenda. The speed with which they unveiled their detailed proposals testifies to the economic imperatives which are central to the peace process.

The benefits to Jordan – which has a gross national product of US$5bn, a fraction of Israel's $70bn economy – are likely to be more significant than those to Israel in the short and medium-term. Already the US has forgiven $220m in loans to Jordan and has promised to write off a further $500m; the UK has converted a loan worth £59.5m ($91m) into a grant; and Japan has granted the kingdom energy loans worth $130m, partly in appreciation of its peace efforts. Jordan has a $6.9bn external debt.

Early economic co-operation is expected in three main areas: services, regional integration projects and trade.

● In services, the most favourable area is tourism. Today's opening of the Eilat-Aqaba border will pave the way for travel agents to promote multi-destination regional packages.

Israel and Jordan will also develop a near-eastern tourist association, together with Egypt, Turkey and one day, perhaps, Syria and Lebanon, for marketing and promotion abroad. Both Israel and Jordan expect tourism to expand rapidly from last year's 2m visitors to Israel and about 350,000 to Jordan. Tourism was Jordan's second-largest foreign exchange earner last year, at $500m, and contributed about $2.1bn to the Israeli economy.

● Tourism will also be the starting ground for joint integration projects. Plans are under way for cross-border schemes including a "Red Sea Riviera" between Aqaba, Eilat and Taba in Egypt, and a "lowest point on earth" tourism park in the Arava desert.

Transport projects will be undertaken early on, and should provide considerable returns to both economies. Six roads – worth $1.4bn and covering a total of 700km – are planned. The two most urgent are a road linking Egypt to Jordan via Israel, and a road between Amman and Israel's Mediterranean ports. Finance will be raised mainly from the private sector, which could earn its return from tolls on the routes. Jordan will be able to cut the costs of shipping and reduce its import bill, while Israel would earn port fees.

Israel would also like an exit terminal at Jordan's Aqaba airport, allowing Israel to close its small Eilat airport and pay airport fees to Jordan. Israel also wants a joint Israeli-Jordanian port inland from the Gulf of Aqaba, which it sees as critical to eventual exports to the Gulf states.

In the energy sector, linking the electricity grids would produce considerable savings for both Jordan and Israel and pave the way for the long-term development of a regional grid. The Costs of linkage would be minimal. Jordan's use of Israel's sophisticated communications infrastructure and the resort by by Jordanian companies to Israeli capital markets to raise finance, might also save money.

● Potential benefits from trade between Jordan and Israel are unclear. Both economies are highly protected.

Any significant Israel-Jordan free trade treaty would also involve negotiations with the Palestinians, as the Israeli-Palestinian economic agreement is based on common import taxes and duties. Thus any pact giving preferential treatment to Jordanian imports would have to be agreed first with the Palestinians.

In the meantime, a trade agreement based on most favoured nation principles, with little adjustment of present tariff structures, will promote annual trade worth about $100m to Israel and tens of millions of dollars to Jordan. Another option being considered is for Israel to allow Jordanian imports to enter Israel on more favourable tariff terms and earlier than Israeli goods enter Jordan.

Initial trade will be small, given the relative size and development of the two economies – Israel imported $16bn of goods last year compared with Jordan's $3.4bn. At present there are few goods Israel would want to buy from Jordan, whose trade deficit last year was $2.4bn. However, economists believe that once the Israeli market is open Jordanian industry will adapt to the new opportunities thus created.

"Trade creation will be more important than trade diversion," said Nadav Halevi, professor of trade at the Hebrew University. "Trade will be much more significant to the Jordanian economy than to the Israeli economy, and Israel can open its markets without much fear, so the decision about trade arrangements will be largely political."

Politics, however, might conspire against a more broad-based process of "beating swords into ploughshares". While the economic links between Israel and Jordan may develop quite quickly and smoothly, broadening economic co-operation across the region may prove more difficult. Arab states are suspicious about possible Israeli economic domination and reluctant to integrate their economies with Israel.

Another obstacle to economic integration is finance. The prospect of funding from foreign governments and international financial institutions appears limited. Israel, however, says finance could be raised by the creation of a Middle East development fund and the provision of government guarantees to private sector companies. Israel is pursuing this idea with the US and other potential donors. In October, King Hassan of Morocco will host a Middle East economic conference in Casablanca.

Ultimately, moves towards Arab-Israeli economic co-operation based on peace agreements between Israel and Egypt, Jordan and the Palestinians will depend in part on international economic incentives, in the form of aid, debt relief, increased trade and foreign investment. As Mr Peres has pointed out, in an increasingly global economy, the Middle East has little option but to move towards closer integration. Fifteen years after a "cold peace" with Egypt, there are few signs of Egyptian-Israeli economic integration. But Israeli officials believe the Jordanian agreement is a fresh start.

Further, Israel remains haunted by the threat of Islamic fundamentalism and is determined to cement fragile Middle East peace through the economic development of its neighbours. The Jewish state says it is ready to make economic concessions to them. Such gestures, if genuine and expanded, could help persuade Arab countries to see Israel as an economic partner rather than as a power set on dominating them, and turn the initial benefits of peace into a transformation of the region.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Misleading picture of UK investment during recession

From Professor Wynne Godley.

Sir, The statement in the Lex column ("UK economy", August 1) that [corporate investment] "held up unusually well during the recession" is not correct and the Bank of England chart apparently supporting it is misleading. That the ratio of corporate investment to gross domestic product has any appearance of being "much higher than in the early 1980s" is due entirely to the fact that the sector now comprises privatised industries which were previously nationalised. If allowance is made for the changing classification frontier, fixed investment fell about 20 per cent between its peak in 1989 and its trough in 1993 – a far *larger* fall than in previous recessions. There is no sign yet of any significant recovery.

Unless it is recognised how much investment has fallen, it may be forgotten how much consumption has risen and hence why increased taxation will be needed.

Wynne Godley,
Jerome Levy Economics Institute,
Annandale on Hudson,
New York 12504,
US

Wm Low advisers served shareholder interests well

From Mr Peter Stevenson.

Sir, Your Lex column Tesco/Wm Low (August 4) surely misses the point – in encouraging advisers to think of their reputations rather than of the best interests of their clients.

Tesco's original offer (one Tesco share for each Wm Low share) was put forward after two quite separate bouts of negotiation, and was judged likely to be the best available now – in the absence of a competing offer.

The Wm Low directors could see, sadly, that one Tesco share was a better investment, both short-term and long-term, than one Wm Low share. It would have been irresponsible, although tempting, to deny shareholders that opportunity – which was only available if recommended by the Wm Low board.

Wm Low and its advisers also correctly judged that, with no strategic stakes pledged to Tesco, there was plenty of time for the other obvious candidates to come forward. Sounding these out privately was not the right course of action, as Wm Low's chairman has already made clear.

We were well served by advisers who had the courage and good sense to anticipate but disregard possible adverse comment over recommending this offer – and to concentrate on shareholders' best interests, rather than on a macho concept of merchant banking behaviour which sometimes interferes with such transactions.

Peter Stevenson,
independent director,
Wm Low & Company,
28 Rutland Square,
Edinburgh,
EH1 2BW

Horsing about with ecology

From Mr Walt Patterson.

Sir, Does Mr Richard Stead (Letters, July 27) feed his two horses coal? Do they drink petroleum and breathe natural gas? The carbon dioxide that upsets the balance of the atmosphere is from fossil carbon that has been out of the atmosphere for millions of years. The carbon dioxide his horses exhale is just returning to the atmosphere carbon extracted from it by growing hay and grain only a few months earlier. Before Mr Stead disparages "ecologists" concerned about climate change, he had better learn some ecology.

Walt Patterson,
Garden Court, Hervines Road,
Amersham, Bucks HP6 5HS

Russians not taken in by image MMM presented

From Mr Aleksandr Balatsky.

Sir, Two thoughts on John Lloyd's article and his reports from Moscow on MMM ("The Possessed", July 31).

Lloyd claims, first, that anger of MMM's shareholders is "directed more at the government than at MMM", and second, that Lenya Golubkov is presented as a typical "Russian figure in transition".

Both claims are myth created mainly by MMM itself. According to the results of a public-opinion poll conducted by the Independent Institute of Parliamentary Sociology (Moscow) on July 25, 39 per cent of MMM's shareholders blame their troubles on MMM, 24 per cent on themselves and only 9 per cent on the authorities.

The research also says that Lenya Golubkov is considered unpleasant by the public: 58 per cent of all polled, 60 per cent of workers, and 54 per cent of MMM's shareholders do not like his image (nearly 20 per cent in each group were indifferent). His image meets a more or less favourable response only from government executives – 26 per cent of those polled enjoy watching him on the screen.

I believe that Russia (as well as other nations) stands not on Golubkovs – a type of money-fixated idiot, whose mental abilities are restricted to understanding where money comes from – but in defiance of them. Of course, our economic situation presents ordinary people with a lot of problems, which demand new approaches, but not to the extent of total trust in advertising, as the article puts it.

I think that MMM's success was achieved mainly due to the low degree to which people have adapted to the market and the relative rarity of such pyramid-base schemes in today's Russia. Sooner or later this gap in the market would be filled. In my opinion, if a similar scheme, combined with powerful TV advertising, were introduced, say, in Britain for the first time in a particular generation, as in our case, the effect would be at least the same – except Lenya who would be probably replaced by John.

And, last, the article describes a TV advertisement, in which two brothers – surely Golubkovs – are at the football match between Russia and Argentina. As the whole story it is only partly true – in fact, in this advertisement the brothers are at the match between Russia and Brazil.

Aleksandr Balatsky,
Moskovsky Prospekt 75/66,
196084 St Petersburg,
Russia

Children's Society project

From Mr Ted Parsons.

Sir, Your article "Training cuts 'cause destitution'" (July 22) highlighted the closure of a Children's Society training project for young people with special needs, funded by Greater Nottingham Training and Enterprise Council.

Tec chief executive, T J Potts, claims (Letters, July 30/31) that the Tec withdrew funding because it was dissatisfied with certain aspects of the project. At the time of the closure, the Tec informed the Children's Society it was reducing the number of providers in order to rationalise its training provision. It closed another quality training provider this April.

The Children's Society is concerned that the project is just one of a number of special needs training schemes which have recently been closed across the country. As well as training, the project provided the intensive pastoral and welfare care for its users, whose needs ranged from disability to homelessness. The value of this care was recognised by a range of local agencies.

Integrating special needs training requires a high level of resourcing and planning if it is to benefit young people. The project's recommendations on how to achieve success have already received a positive response from several Tec chief executives.

Ted Parsons,
East Midlands regional social work manager,
The Children's Society,
Edward Rudolf House,
Margery Street, London WC1

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Monday August 8 1994

Spheres of influence

There is a new world order, after all. It is not the one most people imagined when President George Bush used the phrase in 1990 to elevate the struggle against Saddam Hussein of Iraq. But it is based, in one respect, on the precedent set by that struggle.

When the United Nations Security Council decided that force should be used to liberate Kuwait, it did not follow the letter of the UN Charter, under which member states should have made armed forces available to the Council itself, so that it could "take such action by air, sea or land forces as may be necessary". Instead, the Council authorised member states to use "all necessary means" to enforce its earlier resolutions; and an *ad hoc* coalition of member states did so, under US command.

A similar formula was used in 1992, when the US went into Somalia; and last week an identical *carte blanche* was given for an invasion of Haiti.

In both cases a two-stage operation was envisaged: first a swift, muscular intervention "authorised" by the Security Council but carried out by "member states", in other words the US acting with or without allies; second, a more traditional and longer-term peacekeeping operation under UN command.

In Somalia the US initially joined in the second stage, but kept its "Quick Reaction Force" under separate command – a formula which caused maximum confusion and ended in disaster last October. The UN force is still there, but without US participation. In Haiti it appears the US does not intend to take part in the second stage at all.

The Somali experience seems to have convinced the Clinton administration that US ground troops should not be deployed as peacemakers or peacekeepers outside the western hemisphere in situations where they are likely to come under fire.

Comprehensive peace

They are deployed preventively in Macedonia; they have been offered for Bosnia if, and only if, the parties accept a comprehensive peace agreement; and now they have been sent to Rwanda and Zaire in a strictly humanitarian role which, as Defence Secretary William Perry has been at pains to emphasise, will not include peacekeeping.

Meanwhile, in June, the Security Council authorised France to intervene in Rwanda in a role closely analogous to the US role in Somalia, and to what will be the US role in Haiti if the invasion goes ahead: a quick "in and out" operation, intended to create conditions in which a UN peacekeeping force can deploy, and to hold the line until that force arrives. Embittered by its experience in Bosnia, France insisted on acting on its own in Rwanda and is not willing to leave any troops as part of the UN force there.

Troubling development

And in July the Council gave a formal UN blessing to the Russian army's presence in Georgia. This is a deeply troubling development. Although the Georgian government now accepts the Russians as "peacekeepers", it did so only after suffering severe defeats at the hands of Russian-assisted Abkhazian separatists, and when it desperately needed Russian help against supporters of the ousted Georgian president, Zviad Gamsakhurdjia. The price paid for this help included agreement to join the Commonwealth of Independent States, which Georgia had previously refused.

Thus Russia transparently exploited conflicts within Georgia to bring that country back under its control, and the UN has now effectively ratified the deal. It is no secret that the Russians insisted on this before agreeing to support the Haiti resolution.

A clear pattern thus emerges. The permanent members of the Security Council, scalded by their experience in Bosnia and Somalia, are increasingly reluctant to deploy their forces under UN command. Instead each is willing to act only where it conceives its national interest or prestige to be at stake, and then looks to its colleagues on the Council for a UN rubber stamp.

This is a travesty of the Charter and is bound to cause increasing resentment among other UN members. If the permanent members are to live up to their responsibilities they must be prepared to put their forces genuinely at the UN's disposal, rather than using the UN to ratify their division of the world into spheres of influence.

The nuclear waste problem

The government's consultation paper on the disposal of radioactive waste, published last Friday, is central to the UK's review of nuclear policy for two reasons. It addresses the issue of safety, which is uppermost in the public's mind; and it has a direct bearing on cost, which must ultimately determine whether nuclear power is commercially viable.

The most pressing issue is the disposal of intermediate and low level radioactive waste, such as bulky parts from first generation reactors and nuclear submarines which are now coming to the end of their lives. By contrast high level waste, like spent fuel rods, needs 50 years to cool down before it can be stored, making it a problem for the next century.

Until last year, it appeared that the UK planned to dump at least some waste at sea. But it has now signed an international treaty which includes a 10-year ban on sea dumping of radioactive waste. This leaves it with the choice of burying the waste deep underground, or storing it in some form on the surface.

The UK's provisional plans are to bury intermediate and low level waste permanently in sealed chambers carved out of the rocks half a mile underground. UK Nirex, the industry's waste disposal company, has been given the task of finding a site, and is now running geological studies underneath Sellafield, British Nuclear Fuels' plants in Cumbria.

Deep disposal has the backing of the nuclear industry, the Department of Trade and Industry, and a large section of the public. It is cheaper than surface storage because it needs minimal surveillance, and is relatively secure from risks such as terrorist attack. There is also a moral argument for opting now for deep disposal, in that many feel it would be wrong to leave the problem of waste disposal for future generations to answer.

Practical questions

As things stand, however, deep burial raises a number of practical and other questions. The risk is mainly geological: radioactivity could leak into the water table. If that happened, it would be extremely difficult to rectify. These concerns apply particularly to the Sellafield site where Nirex has discovered rock fissures and complex water flows which might cause radioactivity to migrate.

Surface storage, by contrast, is more expensive and possibly riskier, but it does keep the waste where it can be closely monitored. So long as uncertainty exists about the science of nuclear waste disposal, it also keeps options open. Many environmentalists argue that the permanent solution of deep burial would deprive future generations of using whatever superior disposal methods science eventually comes up with.

Deep burial

The trouble is that this is an argument without end: the same dilemma would presumably prevent each succeeding generation from settling the waste problem. Decisions about the desirability of nuclear power, in which assumptions about the costs of waste disposal are an important part, cannot be thus indefinitely postponed.

The government has made clear its preference for deep burial on economic, safety and moral grounds. There will always be the suspicion, however, that its position is shaped by short-term objectives, particularly the desire to reduce the nuclear industry's costs and improve its chances of privatisation. That would be patently wrong: if there was ever an issue where safety should be paramount, it is this.

Scientific evaluation rather than political pressure must determine the choice of disposal method. If minimising the impact on the environment and the risk to human health is the criterion, the best technique might well be sea disposal: environmental pessimists often understate the enormous capacity of the deep oceans to dilute pollution. But with that option now closed, the onus is on the government to build the safest and most palatable alternative method of disposal into its nuclear review calculations.

There is no harm in persisting with investigations into deep disposal, provided it is recognised that it might take years to find a safe site, if one can be found at all. But for now, there may be no alternative to keeping nuclear waste above ground until more of the uncertainty is removed.

Bill Clinton's presidency is beginning to look compromised, confused and directionless, says **Jurek Martin**

Few tricks left up his sleeve

Reuter/AP

Unwelcome problem: Clinton risks Congress's wrath if the US invades Haiti to detract from his domestic problems

At his press conference last Wednesday, President Bill Clinton answered eight questions on healthcare reform, four on Whitewater, three on trade and the economy, two each on Haiti and his own public image, and one on North Korea.

A visitor from Mars might need Whitewater explained, as many Americans still do, but could otherwise conclude that the subjects accurately reflected legitimate national concerns of the moment. A year ago the mix might have been different, with the budget, Somalia and Bosnia more to the fore, but it, too, would have been reasonably representative. An activist president in a changing world would expect to find himself facing a catholic selection of questions.

The difference is that the Clinton presidency can now more than ever be fairly said to be on the edge of deep trouble. Admittedly, it was fashionable to make a similar case in the summer of 1993, on the hypothesis that a defeat on the budget, a failure to ratify the North American Free Trade Agreement and an inability to reach a Uruguay Round agreement deal were harbingers of a failed presidency. But all were successfully concluded, giving the president, by any yardstick, an impressive first year.

It is much more serious now, for several reasons. One, passing healthcare reform has always been the top priority of Mr Clinton and his wife: later this month, both houses of Congress will finally come to votes on the issue, but no sane person would currently bet on the result. The president has had to accept substantial modifications to his original plans, to the point where the House version is touted by its Democratic sponsors as "not the Clinton bill".

But, if anything approximating universal insurance coverage is eventually approved, he will receive a good chunk of the credit. If it goes down, he will get much of the blame, no matter where the ultimate responsibility for failure might fairly lie. Probable Republican gains in November's mid-term elections, which may include loss of Democratic control of the Senate, imply no second chance for what Mr Clinton describes as the most substantive piece of domestic legislation since the 1960s.

Two, Whitewater was subcutaneous a year ago. But Washington, if not the country, has been consumed by 10 days of congressional hearings focusing on but a tiny fraction of the tangled tale of the first family's land investments in Arkansas going back over 15 years. Nothing has been proven and no heads have yet rolled, though Roger Altman, deputy Treasury secretary, was seriously stretched on the rack. The spectacle of senior White House and Treasury officials under the guns of congressional grandees, rather than right-wing talk show hosts, can only be a public relations disaster.

Then, late on Friday, a judicial panel replaced Mr Robert Fiske as independent counsel with Mr Kenneth Starr, another Republican. It is too early to say if any of Mr Fiske's interim findings exonerating administration officials of obstructing justice will be overturned. But a new and more protracted element of uncertainty has been inserted into the investigations, which is not good for an administration increasingly comfortable with Mr Fiske.

Three, Haiti brings Mr Clinton far closer to exactly the sort of foreign military adventure that he came to office intent on avoiding. He resisted much pressure to send US troops to Bosnia, eventually got them out of Somalia, did not send them quixotically to Rwanda and did not overtly threaten to use them against North Korea, all at the cost of being accused as weak, indecisive and indifferent to human suffering.

But a combination of the sheer awfulness of Haiti's circumstances and domestic political pressures, above all from his old friends in the congressional black caucus, means he now stands armed with a UN Security Council resolution empowering the use of "all necessary means" to restore democracy to Haiti. Curiously, as that resolution set off alarm bells around the world, his administration, again divided between the interventionists of the State Department and a cautious Pentagon, seemed to be drawing back from imminent invasion, not least because intervention might complicate the healthcare debate. But the fact remains there may be no alternative but to send in the marines – and accept the consequences of the occupation of Haiti and domestic political fall-out.

As last year, each of the above may turn out to be individually negotiable shoals. It also should

'Clinton's life trails him like a mugger, popping out from the shadows every time the president is for a moment safe'

help Mr Clinton that there seems little wrong with the economy, higher interest rates and twitchy exchange and currency markets notwithstanding. But his public opinion ratings (in the low 40s) are the worst of his presidency.

Some of that may reflect the depth of dislike, often outright hatred, he and his wife inspire, and this, in turn, reflects the palpable decline in civil political debate in America. The vitriol is no longer confined to the lunatic fringes but even shows up on the floor of Congress. Last Tuesday night, Congressman Dan Burton, the Indiana Republican, virtually accused the Clintons of direct involvement in the death of Vincent Foster, the former White House aide; he was speaking to an empty chamber but anybody watching the fixed camera of C-Span, the political cable channel, would not have known that.

But this does not account for the last and most troubling aspect of this summer. Even the president's journalistic supporters, well aware of his legendary powers of political recovery, have begun to wonder if he has not irrevocably lost his way and even his spirit. E J Dionne wrote in the Washington Post last week that, whatever Americans thought about sexual and financial misconduct charges, "they just don't want their chief executive to be the subject of so many doubts, questions, rumours and jokes". Michael Kelley in the New York Times observed that "Clinton's life trails him like a peculiarly single-minded mugger, popping out from the shadows every time the president is for a moment safe".

The concerns of both transcended the personal. "The central threads of this presidency have disappeared," Mr Dionne wrote. Mr Kelley's view was that, having mastered the art of politics brilliantly, he was "not perceptive enough to see what politics was doing to him".

Thus the early bold strokes – the budget plan, the first healthcare presentation, the commit ment to "change" – became trimmed and hedged by the inevitable politics of compromise. A year ago, it was still possible to discern a clear if very busy game plan. But there now seems either to be none or merely a series of expedient lurches that lack any coherence.

Haiti is, only perhaps, the prime example of this. The twists and turns of Mr Clinton's policy are well documented: his campaign criticism of President George Bush's determination to control the influx of Haitian refugees, his adoption in office of Mr Bush's approach, the establishment of a naval cordon to stop a new refugee flood, the aborted landing in Haiti of a US ship carrying US and Canadian military advisers, tight and then looser asylum application procedures, a stumbling search for safe havens, half-hearted sanctions and finally the ratcheting up of economic and political pressure on the Haitian junta via tougher sanctions and the UN resolution. Throughout the administration blew hot and cold on whether ousted president Fr Jean-Bertrand Aristide could be trusted.

At various points along this tortured road, Mr Clinton has appeared to bow to political pressure. First it was from Florida, bearing the brunt of looking after the boat people. Then, as conditions in Haiti worsened, liberal activists demanded action. Randall Robinson

Talking too much, which this president does to a fault, tends to compound the confusion

of the TransAfrica lobby went on a highly publicised hunger strike in Washington and the black members of Congress demanded action.

The 38-strong black caucus, under the hardnosed chairmanship of Congressman Kweisi Mfume from Maryland, has leverage. Mr Clinton was grateful that enough of them, mostly good liberals, had supported the deficit-cutting budget bill and Nafta last year to ensure passage (but only after they had struck some good bargains.) He knew he had let them down last summer by dropping the nomination of Ms Lani Guinier, who is black, to run the justice department's civil rights division and Mr Mfume told him so, bluntly and publicly.

He still needs their support on healthcare, welfare reform and the omnibus crime bill which envisages measures costing $30bn. Indeed Mr Mfume fought long and hard for the inclusion of a "racial justice" clause in the crime bill, under which appeals against the death penalty could be launched on grounds of a pattern of ethnic discrimination. Although the clause was deleted from the legislation now in front of both houses, Mr Mfume is still playing hardball, forming an unholy coalition with the gun lobby to delay debate on the bill until he gets the assurances he wants from the administration. He is likely to be as tough when welfare reform gets to the drafting stage.

Last October, the black caucus called for for a "protective military force" to facilitate Fr Aristide's return, though its arguments for intervention are based on social justice rather than foreign policy considerations. "If Haitians were not black, we would not sit back and watch this murder occur," Mr Mfume has said, noting that there are no asylum barriers against lighter-skinned Cuban refugees. The caucus was solidly behind Mr Robinson's hunger strike and, when it sensed it was getting its message across, helped end it.

Recently Mr Clinton appointed Mr Bill Gray as Haitian special envoy. He was a leader of the black congressional caucus for years before retiring in 1992. As it stands at present, the caucus is not displeased with the direction of US policy. But any backtracking by the president carries clear risks.

Republicans, long distrustful of Fr Aristide, claim that the caucus has hijacked Haitian policy. Recently Mr Dick Cheney, the former defence secretary and prospective presidential candidate, sarcastically painted the imaginary scene of what would have happened if he had gone into President Ronald Reagan and told him that Randall Robinson was on hunger strike and that therefore Haitian policy had to be changed.

But the stronger Republican hand rests on the whole question of invasion. Senator Robert Dole, the minority leader, laid down his marker last week by getting the Senate to pass unanimously a nonbinding resolution requiring Mr Clinton to seek the approval of Congress before despatching troops. The president diplomatically replied that he hoped to have the support of Congress but added, "like my predecessors of both parties, I have not agreed that I was constitutionally mandated to get it". This was, indeed, President Bush's position before the Gulf war but he still found it politic to secure congressional assent.

As a practical matter, it probably makes sense to play down talk of invasion, while keeping up the pressure on the Haitian junta, thus leaving Congress free to focus on healthcare and crime. But it would only take some egregious atrocity in Haiti itself to throw that calculation out of the window.

The Senate vote and plenty of other polling evidence suggests that Mr Clinton would be disappointed if he sought to restore his popularity by "remembering the Mayaguez" – the rescue in 1975 of US sailors captured by North Korea which sharply boosted President Ford's standing. There are some suggestions he might invade Haiti anyway if only to assuage the pain if health care fails. But that would really bring Congress down on his head.

Maybe Mr Clinton was lucky that he got only two questions on Haiti last week. At least his answer to one of them was his most concise explanation yet of why the US should deem it of vital interest. "I think our security is caught up in whether the people in this hemisphere are moving towards democracy and open markets and observation of the rule of law... if you look at the possible ramifications of [the violations of the junta in Haiti] on other countries in the Caribbean and central and South America that is where our security interest is."

But this came late in the game. Indeed the broader question now, on Haiti as on so many other issues, is whether the president can still play the game as once he could.

OBSERVER

Back to first base

Mention red socks to an east German, and his first thought is not of a baseball team from Boston, but of the Party of Democratic Socialism, the restyled communists to whom this nickname has attached itself. Unsettled by the PDS taking 18 per cent of the vote in polls ahead of the October election, Helmut Kohl's Christian Democrats temporarily donned the socks and ran with them – only to make some serious errors.

It was all the idea of Peter Hintze, general secretary of the CDU, who last month came up with a poster depicting a solitary red sock hanging from a washing line. It read: "Together towards the future, but without the Red Socks." No sooner had Hintze ordered 200,000 posters than the CDU's branches in eastern Germany refused to back the campaign.

Some thought it too frivolous, while others tried to explain to their masters in Bonn that sending up the PDS was tantamount to attacking the east Germans themselves, and hence not the brightest way of trying to heal political divisions that continue to split the country east and west.

A poll yesterday by Emnid found 51 per cent of Germans believing the campaign has backfired sufficiently actually to be harming the CDU. So, with Commie-bashing removed from its repertoire, will the government's next game plan have to be a touch more sophisticated?

Taki two

■ As if the visage of Taki Theodoracopulos beaming atop "Atticus" were not unsettling enough, the society gossip who has just hijacked the Sunday Times column of that name seems disturbingly shaky on his classical antecedents.

"I guess it was inevitable I become Atticus," the Spectator magazine's High Life columnist crows. "Of all the distinguished journalists who have been Atticus, I'm the only one who was actually born under the Attic sky of Athens."

It all depends of which Atticus one speaks. Should Taki be referring to Titus Pomponius (109-32 BC), the symmetry is sadly less than complete, this Atticus having been Roman. A scholar whose main claim to fame was publishing a collection of letters penned to him by Cicero, it was his 23-year sojourn in Athens – rather than the sky 'neath which he was born – that earned him the moniker Atticus.

So how about Herodes Atticus (circa 101-177 AD), celebrated orator and writer? A member of the second Sophistic movement, "he sought to entertain and enlighten without referring to political matters" a glance at Encyclopaedia Britannica

'It comes with a pack of self-adhesive war clouds'

reveals. Which would rather cramp the style of the man who yesterday laid, with such gusto, into Greek prime minister Andreas Papandreou.

Letts do it

■ Just like the medical variety, company doctors can't always agree as to the best remedy for their patients. Ex-ICI chairman turned media star Sir John Harvey-Jones, whose jolly advice in his TV series Troubleshooter often seemed to be more carefully tailored to the camera than to the bottom line, sparks more controversy than most.

So Sir John might be amused by a recent second opinion on one of his more troublesome erstwhile patients, Charles Letts. His own view of the diary printer had been that it had insufficient capital to support its diversification, had no reason for a large headquarters in London, and should reconsider its strategy of printing in-house.

Last week Alan Mills, a graduate of the GEC school of company doctoring, took over the chairmanship of Charles Letts, ending a family tradition which has gone back over 200 years. Mills says that one of the first things he did on joining the board last year was to watch the video of Sir John's "first-rate" programme.

Has Mills phoned Harvey-Jones for an update then? "Certainly not. His daily rate is astronomical."

Hyper-market

■ Whatever do the initials "CHyp" after a person's name denote? If that person is Tom Leigh, director of 3T Publications, one of the companies now in provisional liquidation thanks to the UK government's clamp-down on "pyramid" schemes, the logical conclusion might be "Certificate in Hype". It transpires instead, in a letter circulated by 3T, that Leigh is trained as a hypnotherapist at the "well-known and highly-respected Proudfoot School of Hypnosis and Psychotherapy at Scarborough". Here at last an explanation as to why all those "investors" opened their wallets with such alacrity to a notion so fundamentally flawed?

Softly softly

■ British fund managers tempted to head for China on a $5,000 "research tour" should think again. The trip, advertised in the American monthly magazine Institutional Investor, is payable "in soft dollars through the broker of your choice". In other words, it is a variation of the increasingly common practice whereby brokers barter "research-related" services to a client who agrees to execute a minimum amount of business.

But the regulators are on the trail. SEC chairman Arthur Levitt has been complaining that the practice "doesn't feel right, taste right, smell right". Imro, the self-regulatory body for the UK fund management industry, has gone further and has formally censured Abbey Life for sending fund managers on jollies to the US and Asia.

Screwed up

■ Observer's wry amusement at the warning on American screwdrivers – not to insert them in the ear – is not shared by all. An indignant reader demands to know what else one is to do if one has a screw loose.

FINANCIAL TIMES
Monday August 8 1994

US fears tighter curbs on business visits to UK

Rule change may mean more people require work permits

By Motoko Rich in London

US business groups fear tighter restrictions will be placed on non-European citizens visiting the UK for business purposes under a change to Britain's immigration regulations.

The London branch of the American Chamber of Commerce intends to protest to UK trade and industry ministers about the move, which it believes could force short-term business visitors from non-European Union countries to apply for a work permit.

The British Home Office described the amendments to the Immigration Act, due to take effect on October 1, as a "clarification" of existing rules.

However, the Chamber is concerned by a clause which states that a business visitor to the UK will be granted entry without a work permit only if he or she "does not intend to produce goods or provide services within the United Kingdom".

It fears that visitors who plan to speak at international conferences, provide consultancy services or engage in marketing activities will have to obtain work permits before being allowed in to the country, even if they plan to stay for only two or three days.

Previous immigration regulations, last revised in 1990, state that passengers admitted to the UK with "visitor" status "are free to transact business during their visit".

"This is a substantial tightening up of the rules," said Mr Eric Deakins, a consultant to the American Chamber of Commerce. "These rules go against the spirit of the Gatt agreement on international free trade."

The Home Office said the "clarified" rules would be enforced in "exactly the same way as they were before".

Earlier this year, the Home Office issued guidance notes, which clarify some points. But the status of conference speakers and outside consultants is still unclear. The notes state that non-EU citizens may enter the UK without work permits as speakers "in a conference where this is not run as a commercial concern and the conference is a one-off".

Mr Deakins said this did not make clear what was meant by "commercial concern" and did not set out the status of unpaid speakers at commercial conferences.

The Home Office said a conference speaker who was not being paid would not generally need to secure a work permit before arriving in the UK.

But each case would be judged individually and conference speakers could be evaluated on the length of their stay in Britain, whether they were receiving payment in kind, and the nature of the conference at which they were appearing.

Ciba's genetically engineered wheat is first in field

By Clive Cookson, Science Editor, in London

The world's first experimental crop of genetically engineered wheat has been harvested from a field in the UK.

The success of the trial, carried out by Swiss-owned Ciba Seeds in Cambridgeshire in the east of England, has enormous implications for agriculture.

It shows that scientists can alter the characteristics of important cereals in a reliable way, by giving them genes from other species.

The work is expected to lead within a few years to new wheat varieties with increased resistance to drought and disease, less requirement for expensive fertilisers, and other improvements.

Although Ciba was first into the field, several other industrial and academic laboratories are close behind, including Zeneca Seeds, the John Innes Centre and the Institute of Arable Crops Research in the UK.

The wheat grown at Great Abington, Cambridgeshire, contains "marker genes" of no commercial significance, chosen to prove that foreign genetic material, DNA, can be passed on predictably from one generation of plants to the next.

Some of the plants contained a red pigment gene taken from wild Peruvian maize. When they were harvested last week, all their grains showed red spots – looking unlike any wheat grown on Earth before.

The other plants produced bacterial enzymes which the Ciba scientists detected in simple lab tests, proving that the new genes were switched on successfully.

Mr David Thompson, head of research at Ciba's cereal breeding business, said the 16 square metre trial plot yielded several kilograms of genetically engineered wheat. The crop has been flown to the company's US research centre in North Carolina for further analysis.

The strains were created last year in North Carolina, by shooting thousands of microscopic gold balls coated with DNA into wheat cells.

Ciba scientists then grew two generations of plants in greenhouses before sending the seed to Cambridgeshire for the field trial.

The UK was chosen because of the country's expertise in wheat breeding and because Ciba sees Europe as the first market for its genetically engineered wheat.

Wellcome

Continued from Page 1

against Aids and HIV have been made before, but have proved illusory. Dr Barry's assertion is likely, however, to be taken seriously by Aids researchers because of his stature in the scientific community, and the reputation of Wellcome, the world's leading pharmaceuticals company for the treatment of HIV.

Dr Barry presented data from two combinations of three drugs which, he claimed, completely stopped the virus replicating. The first involved Wellcome's AZT (also known as Retrovir); ddI, a drug developed by Bristol-Myers Squibb of the US; and Saquinavir, a treatment of Roche in Switzerland.

The second consisted of AZT, ddI and 3TC, a treatment discovered by Biochem Pharma of Canada and partly developed by Glaxo Holdings of the UK.

Other trials involving AZT, Roche's ddC and Saquinavir, or AZT, ddC and 3TC failed to stop the virus replicating, but Dr Barry said this might have been because doses had been too low. Combinations involving Wellcome's AZT had so far appeared more powerful than those without, he said.

Dr Barry stressed the tests had only been carried out in test tubes and not on humans. He also admitted there were potential limitations to triple therapy. The ability of the drugs to stop the virus might be limited if the disease had progressed too far. There was also the possibility the doses required to control the disease might be too toxic, and patients failed to take the required medicines.

Clinical trials involving at least four different combinations of drug swould start in early September, Dr Barry said.

Russia's nouveaux riches

Continued from Page 1

English. Forlornly eyeing a scantily clad Russian girl who was cavorting under Marika's strobe lights with a female friend, a handsome Princeton graduate explained that he dared not ask her to dance because the week before he had joined a statuesque blonde Muscovite on the dance floor with disastrous results.

Natasha, it emerged, was escorted by a diminutive Russian whose silent bodyguards made altogether too evident their disapproval of her new transatlantic friendship. "I was lucky because I was with a Russian-speaking buddy who managed to talk our way out of that situation, but I won't do it again," said the unhappy Californian.

Willowy companions like Natasha, now off-limits to foreigners, are one of the obligatory status symbols for Moscow's *nouveaux riches*. Wearing this season's fashionably short skirts and clutching authentic Chanel handbags, the young women – the truly successful entrepreneur brings along at least one for each arm – are part of a package which includes a fleet of gleaming Mercedes fitted with mobile phones, and a bevy of burly, gun-toting bodyguards.

Rich Russians – who range from former Soviet factory directors trading in commodities to a new breed of entrepreneurs who have graduated from dismal communal apartments to fabulous wealth – realise that their collective preoccupation with ostentation is an anomaly.

"An established bourgeoisie is conservative in its habits," explains Mr Sergei Zverev, deputy director general of the Most financial group, owned by the richest man in Russia, Vladimir Gusinsky.

"But here, everything is upside down." Even physicists at the elite Moscow institute, which produced the austere and high-minded dissident, Andrei Sakharov, have shifted their focus from the ivory tower to arbitrage. On their walls, equations about nuclear physics have given way to charts tracing the dynamics of Russia's unruly but booming stock market.

Many ordinary Russians, for whom the extravagances of the *nouveaux riche* remain an unattainable marvel, have sensed this transformation, and the genius of the MMM investment fund was to tap into their desire to become a part of it.

With his commercials depicting an ordinary Russian Ivan magically becoming a wealthy man, MMM's Mr Mavrodi offered his compatriots an ostensibly painless way to acquire that which has replaced the Communist party card as the ticket to power in the new Russia: capital.

US group in Tokyo supercomputer deal

Continued from Page 1

institute was influenced by the depressed value of the dollar against the yen, which has reduced the cost of US goods sold in Japan. Cray did not disclose the terms of its sale agreement, but Japanese press reports said that the supercomputer was less than half the price of one offered by NEC, Cray's largest Japanese competitor.

Cray will provide its C90 supercomputer to the institute for use as a host computer at its information processing centre, the company said in Tokyo. It is the first of 10 supercomputers to be bought by the Japanese government in the current fiscal year.

THE LEX COLUMN

Shady side of the street

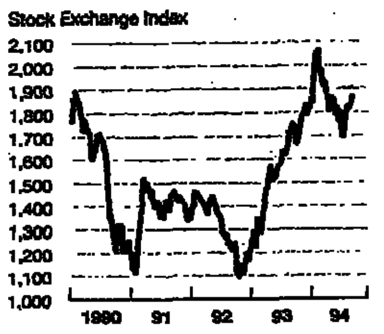
Wall Street is caught between a rock and a hard place. Economic indicators which point to continued strong growth – such as last Friday's employment data – drive shares lower on the grounds that the Federal Reserve is more likely to raise interest rates. This week's producer and consumer price figures could be crucial. Gathering inflation, combined with the apparent strength of the labour market, would surely tilt the Fed towards higher rates at its Open Market Committee meeting on August 16.

Yet pointers towards a significant slow-down in the second half of the year – such as lower housing starts, car sales and weaker money growth – raise fears that earnings expectations are too high. After the exceptionally strong second quarter figures reported by many US companies, that might seem an unlikely prospect. With many analysts again lifting forecasts for this year and next, though, there is plenty of room for disappointment. The worst of all possible worlds would be another half-point rise in rates just as it becomes clear that the economy is already slowing.

It is always possible that the Fed will stay its hand and that growth will fall gently back towards trend, around 2.5 per cent. Under this golden scenario earnings estimates might turn out to be a touch optimistic, but a stable bond market would underpin equities. While this rosy prospect helped equities climb by 3 per cent last month, the outcome is delicately poised and the evidence conflicting. The course of events is rarely as neat in practice.

Ireland

Stock Exchange Index



Source: FT Graphite

European chemicals

Half-year results from the German chemicals giants, starting next week, should confirm that European recovery has come earlier than even bulls of the sector dared hope. ICI and DSM have already reported volume gains running into double digits by the end of second quarter. Although selling prices are not much higher than this time last year, the upwards trend from the trough reached in the final months of 1993 is clear. With capacity utilisation rates already pushing towards 90 per cent in some areas, there are surely further pricing gains to come.

This is good news for this year's profits. In addition to strong volume gains through the first half of the year, the usual third quarter lull in activity has failed to materialise. But the broader question is whether the peak in chemicals industry profits will come sooner or last longer than investors hitherto expected. The recent growth trend gives grounds for optimism on the first count – barring an unforeseen event such as an oil shock.

How long the peak lasts depends on the industry's ability to resist investing in excess capacity during the upswing. But big capital programmes announced this year or next would take some years to complete. If the profits peak comes in 1996-97, there could be at least a short plateau rather than an immediate downswing. The big European chemicals companies have been outperforming their local stock markets for about a year on expectations of a slow, sluggish recovery. Given the quickening pace of the upturn it would be extraordinary if they now fell behind.

Ireland

Having won its third consecutive Eurovision song contest Ireland may be heading for another award this year – fastest growing European economy. The Irish government has just increased its 1994 growth forecast to a racy 5 per cent and judging by last week's figures from AIB the optimism looks well-founded. These showed the bank's Irish loans growing at an annualised rate of 10 per cent in the first half while across the Irish Sea, NatWest's loan book was down.

Not everything in Ireland is rosy. Unemployment is still very high though this at least adds to the confidence that the economy can combine such growth with continued low inflation. So confident are some independent forecasters that they predict this benign environment will last to the end of the century.

The implications have not been lost on domestic or international investors who pushed the Dublin stock market up by 54 per cent last year. However, this could be seen largely as a correction for the steep fall over the previous two years and with the market 12 per cent off this year's high it is not highly rated by international standards. The biggest problem for investors is the limited range of stocks to choose from. Most quoted Irish companies are either very small or, like Jefferson Smurfit, very international. The one large industrial group that has significant exposure to Ireland is building materials group CRH, whose shares now discount much of the good news. Nor have investors overlooked the two banks, AIB and Bank of Ireland, which generate half their profits in their home market. But their shares remain modestly rated compared with their UK banks, operating in a much more difficult climate.

Trustees

Britain's most prestigious hotels group and one of its biggest undertakers have one thing in common: their fates are in hands of trustees of trusts set up by the companies' founding families. The charitable trusts that have protected the Savoy from Forte's advances for so long have finally agreed to talk, while the Field family trusts could hold the key to the battle for control of Great Southern. In such cases trustees can find their positions most uncomfortable. It would be only natural for trustees to feel loyalty to the company in which the trust holds shares but their only consideration should be the financial interests of the trusts' beneficiaries.

Whatever else has brought the Savoy trusts to the table it can hardly be a coincidence that the company's performance has been so poor it was forced to cut its dividend and therefore the trusts' income. The Field family trusts have also had a thin time having done without dividends from J D Field for some years. It would be easy in both cases to argue that the beneficiaries are not getting the best deal available and the trustees have clearly become concerned. In theory, trustees should be even more single-minded in maximising the value of their shares than other institutional shareholders. In practice, managements often consider them a pushover. But it will be no bad thing if the Savoy and Field managements ultimately pay the price for not looking after the beneficiaries better.

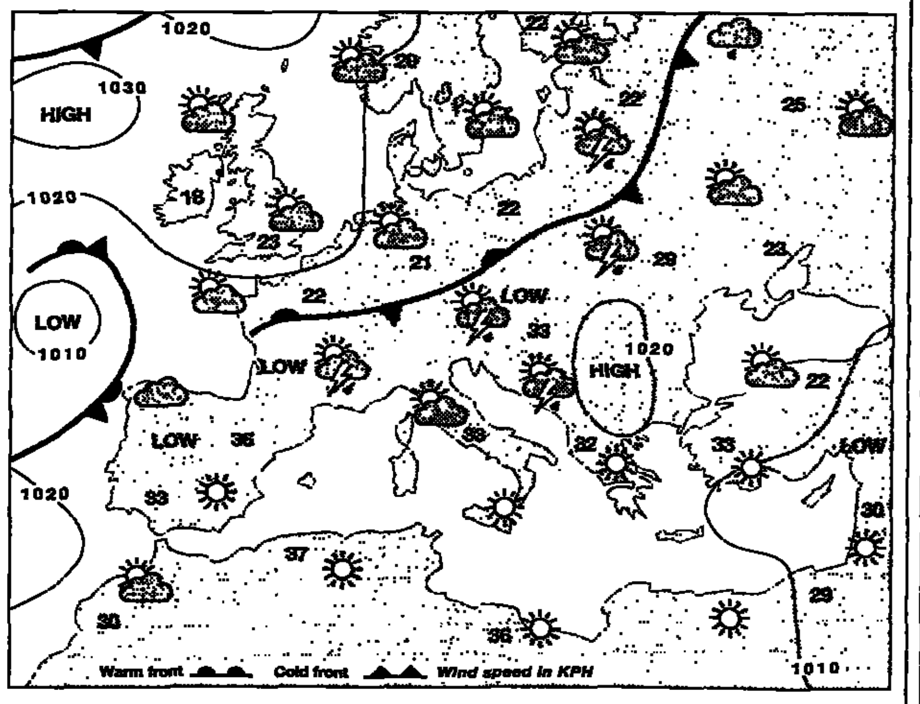
FT WEATHER GUIDE

Europe today

Cooler air from the Atlantic Ocean will move further into the continent and trigger thunderstorms in a zone from eastern Europe to Germany and into France. East of the thunderstorms, temperatures will rise to between 30C and 35C, while many parts of western Europe will become much cooler. Unusually high sea-surface temperatures will keep coastal areas rather warm during the night. High pressure north-west of Scotland will extend its influence over western Scandinavia and the North Sea. This high will continue to draw in cooler air across Norway, Sweden and Finland. However, southern Europe will remain mainly sunny and very settled.

Five-day forecast

The air flow over Europe will change greatly during the next two days. A cold pool of air will move into western Europe. This, combined with very warm see water, will cause thunderstorms over many coastal areas. Central Europe will also begin to cool. Northern Europe will see a new area of high pressure take hold and this will bring increasing sunshine.



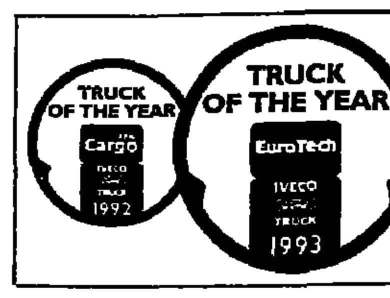
Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius							
			Beijing	fair	30	Caracas	sun	28
			Belfast	fair	20	Cardiff	sun	22
Abu Dhabi	sun	43	Belgrade	sun	34	Casablanca	sun	30
Accra	fair	30	Berlin	shower	25	Chicago	fair	30
Algiers	sun	37	Bermuda	fair	32	Cologne	shower	23
Amsterdam	fair	23	Bogota	fair	19	Dakar	fair	30
Athens	sun	32	Bombay	rain	32	Dallas	fair	36
Atlanta	fair	31	Brussels	fair	22	Delhi	fair	30
B. Aires	fair	15	Budapest	sun	34	Dubai	sun	41
B.ham	fair	22	C.hagen	fair	21	Dublin	fair	19
Bangkok	rain	33	Cairo	sun	35	Dubrovnik	sun	32
Barcelona	sun	30	Cape Town	cloudy	20	Edinburgh	sun	20

Faro	sun	30	Madrid	sun	35	Rangoon	rain	30
Frankfurt	thund	25	Majorca	sun	34	Reykjavik	fair	13
Geneva	thund	28	Malta	sun	34	Rio	fair	25
Gibraltar	sun	32	Manchester	fair	21	Rome	sun	32
Glasgow	sun	21	Manila	fair	31	S. Frsco	sun	21
Hamburg	fair	23	Melbourne	shower	9	Seoul	sun	34
Helsinki	shower	22	Mexico City	fair	20	Singapore	fair	32
Hong Kong	cloudy	30	Miami	thund	33	Stockholm	fair	22
Honolulu	fair	33	Milan	sun	32	Strasbourg	shower	27
Istanbul	sun	30	Montreal	fair	27	Sydney	fair	15
Jakarta	fair	32	Moscow	thund	25	Tangier	sun	31
Jersey	cloudy	19	Munich	shower	24	Tel Aviv	sun	33
Karachi	fair	34	Nairobi	fair	25	Tokyo	fair	30
Kuwait	sun	45	Naples	sun	33	Toronto	shower	24
L. Angeles	sun	27	Nassau	shower	32	Vancouver	rain	21
Las Palmas	fair	30	New York	sun	27	Venice	sun	32
Lima	cloudy	18	Nice	sun	29	Vienna	fair	31
Lisbon	fair	33	Nicosia	sun	34	Warsaw	fair	28
London	fair	24	Oslo	fair	13	Washington	fair	29
Lux.bourg	cloudy	22	Paris	fair	28	Wellington	rain	10
Lyon	shower	31	Perth	rain	17	Winnipeg	fair	24
Madeira	sun	28	Prague	thund	26	Zurich	thund	24

FINANCIAL TIMES
COMPANIES & MARKETS



Monday August 8 1994

MARKETS THIS WEEK

BRONWEN MADDOX:
GLOBAL INVESTOR
Ted Turner, the boss of Cable News Network, is given to startling pronouncements about the future of the media business. Last week he stirred the bid fever surrounding CBS, the US television network, by declaring that he might try to buy it. But bid speculation has also been stirred by imminent regulatory change. **Page 18**

PETER NORMAN:
ECONOMIC NOTEBOOK
So far, the world's payments and settlements systems have not caused any serious problems. But they have been climbing up the agenda of policymakers in central banks, banks and securities houses, because of fear that a breakdown could trigger a massive crisis that would destabilise the world economy. **Page 18**

BONDS:
The Canadian bond market, which has suffered from an adverse international interest rate environment and domestic political uncertainty, showed signs of perking up last week. **Page 20**

EQUITIES:
In the US, the prospect of a summer rally on Wall Street this year now seems as remote as an August snowstorm, while in the UK it looks as if the stock market, the Bank of England and the investment press are working on different time scales where base rate prospects are concerned. **Page 21**

EMERGING MARKETS:
While most attention focused last week on the astonishing surge in China's A-share markets for local investors, international fund managers and market analysts were reassessing prospects for B-shares for foreign investors. **Page 19**

CURRENCIES:
Foreign exchange traders will this week continue their dollar vigil, scouring US economic data for hints of when the US Federal Reserve will next raise interest rates. **Page 19**

COMMODITIES:
On Friday the US Department of Agriculture will release the results of survey of the damage done by the frosts to coffee trees and to the flowers that will develop into beans for the 1995-96 crop. **Page 18**

UK COMPANIES:
British Aerospace is set to cut the length of its executive directors' service contracts from three to two years following talks with fund management institutions. **Page 16**

INTERNATIONAL COMPANIES:
A group of Canadian life insurance companies has banded together to rescue financially-troubled Confederation Life, the country's fifth largest insurer. **Page 17**

STATISTICS

Microsoft signs up ICL for servicing

By Alan Cane in London

Microsoft, the world's largest computer software company, has chosen ICL of the UK to service its products and customers across Europe.

The agreement is the first pan-European deal Microsoft has signed under its recently announced policy of concentrating on software development while seeking business partners to service and support large customers. Service and support includes maintenance systems integration, consultancy and training.

ICL, based in the UK but owned by Fujitsu of Japan, becomes an "Authorised Support Centre" with the responsibility for servicing Microsoft software products, including the new large-scale operating system "Windows NT", in western Europe. Discussions are under way on similar agreements for eastern Europe and parts of Africa.

The deal underlines ICL's increasing commitment to computer services at the expense of computer making. Once Europe's only mainframe manufacturer, ICL has diversified into software and services as a defence against shrinking profit margins in the hardware business. Last year ICL was marginally profitable on revenues of £2.6bn ($4bn) of which more than half came from computer services.

Neither company would speculate on the value of the deal, but ICL is expected to benefit substantially. There are some 40m personal computer users in Europe. Mr Tony Rees, ICL's product support manager for Europe, said the company already has 5,000 staff in its support group turning over about £500m annually.

Microsoft has found it increasingly difficult to support its larger multinational customers. The company's success was founded on software for stand-alone personal computers, in particular the MS-DOS and Windows operating systems now used on more than 90 per cent of PCs.

Increasingly, however, companies want to link their PCs into networks. The networking market leader and Microsoft's direct competitor is Novell of the US.

Microsoft's networking software Windows NT, is large and complex and companies installing it need considerable consultancy and support. Microsoft, however, with its emphasis on software development, is ill-suited to providing computer services. Rather than risk diluting its development efforts, it decided last year to seek partners to support its customers.

British Airways' global ambitions hinge on recovery of USAir, write **Paul Betts and Richard Tomkins**

Partnership's success still up in the air

British Airways will confirm today its reputation as one of the world's most profitable airlines when it reports first-quarter figures expected to show pre-tax profits of around £85m- £95m ($147m). But the UK flag-carrier's consistently impressive financial performance has so far failed to lift its shares, which have recently traded at around 430p compared with a high earlier this year of 496p.

Although BA has outperformed an improving airline market – the International Air Transport Association (Iata) reported last week that overall traffic growth for its 224 member airlines rose 9.7 per cent in the first half of this year compared with 7.3 per cent for the whole of 1993 – a combination of factors have worried the financial community.

These include the impact of the European Commission's decision to approve a FFr20bn ($3.7bn) three-year French government rescue package for Air France, one of BA's main European competitors, and the ongoing litigation in the US with Virgin Atlantic over the "dirty tricks" affair.

But the biggest uncertainty involves BA's $400m investment in a 24.6 per cent stake in USAir, the sixth largest US carrier. BA's partnership with USAir is an important component of the UK carrier's strategy of acquiring stakes and developing alliances with international carriers to strengthen its world airline network.

The global concept hinges on a strong partnership in the US whose airline market still accounts for around 40 per cent of world air travel.

Much will now depend on the success or failure of USAir's management to negotiate a recovery package with the airline's employees to secure its future. USAir has not made a profit since 1988, and in March warned that this year's losses would be greater than last year's $349m.

All the big US carriers are under pressure to cut wage bills to respond to cut-throat competition from smaller, low-cost airlines. But the pressure on USAir is greatest because its costs are so out of line with the rest of the industry.

USAir's difficulties in launching a meaningful restructuring prompted BA to state it was no longer prepared to make any additional investment in its US partner until it was satisfied it was on a road to recovery. BA also warned it was considering writing off its existing investment in USAir if no progress was achieved in coming months.

The US carrier has taken steps to improve productivity, culminating in June with the announcement that it wanted its employees to take pay and benefit cuts worth $500m a year.

Last week, its pilots' union went some way to meeting this demand by offering $2.5bn worth of labour concessions over five years. But it set a high price on co-operation. The union says employees should get 25 per cent of USAir's common stock, $700m in preferred stock, three seats on the 15-seat board, and an immediate $450m investment in the company by BA. If this plan becomes a reality, USAir would become the fourth big US airline to exchange equity stakes for labour concessions. Employees now own 26 per cent of Northwest Airlines, 45 per cent of TWA and 55 per cent of United Airlines.

By the end of last week, virtually everyone concerned rejected the pilots' plan – but not outright. In all likelihood, the proposal for a partial employee buy-out will form the basis of USAir's cost-cutting.

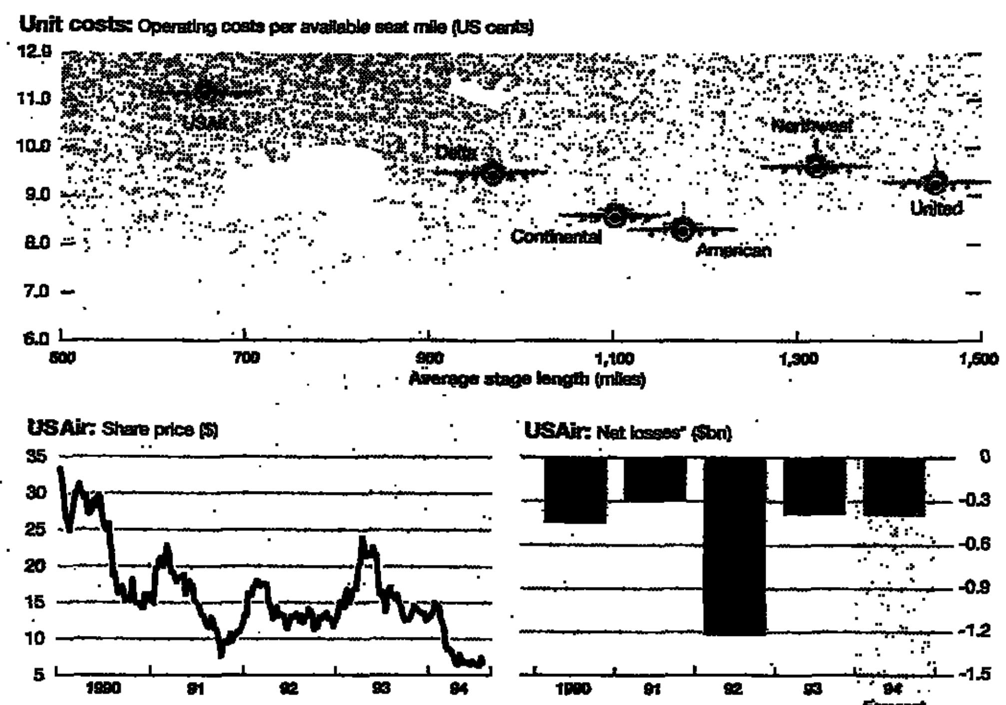
However, employee ownership has not yet proved to be the salvation that some had hoped, as it tends to go hand-in-hand with no-redundancy clauses that prevent managements from making necessary job cuts. Last week, the troubled TWA announced a long-overdue 12 per cent cut in its workforce, but the move will probably be insufficient to stave off a cash crisis this winter. Most US airline industry analysts rank TWA as the carrier least likely to survive another year. USAir, they add, is not far behind.

Although BA has said it will write off the US stake if necessary, it has also emphasised that this will not necessarily have drastic consequences on the commercial benefits it is already reaping from the USAir partnership. A recent study by S.G. Warburg Securities says BA's alliance benefits are stronger than originally forecast. "Our estimate of £40m in benefits from the USAir link will be met by 1994, but on top of that the company now expects to draw an additional £30m in revenue enhancements and cost savings from the partnership."

BA is also financially strong enough to take an eventual hit on USAir. Overall traffic performance is continuing to move into overdrive into the second quarter with high-yield first and business-class traffic growing at about twice the rate of low-yield economy cabin traffic.

From the beginning, BA's investment in USAir was seen as a gamble. At the time, Mr Bernard Attali, then chairman of Air France, said that BA would probably live to regret its USAir investment. The next few months will decide who was right.

The cost battleground



Source: SG Warburg Securities/ Datastream

* Including extraordinary items

Charter urged to raise Esab offer price

By Hugh Carnegy in Stockholm

Charter, the UK industrial group, will this week face trade union opposition and widespread complaints about its offer price for Esab of Sweden, as it seeks a complete takeover of the world's leading producer of welding equipment.

Esab announces its half-year results today, and an expected surge in profits is likely to heighten Swedish calls for Charter to raise its bid and increase doubts over whether the UK company can secure the acceptance of 90 per cent of shareholders for the takeover by Friday's deadline.

Charter holds 53 per cent of Esab following its £260m ($403m) recommended bid in June. It secured 49 per cent of the voting capital from Incentive, the industrial group run by the Wallenberg family that was previously Esab's controlling shareholder.

Since then, Esab's share price has risen, wiping out the 20 per cent premium originally offered by Charter. Last week, Esab shares stood at around SKr350, above the bid price of SKr345.

The blue and white-collar trade unions at Esab have come out strongly against the Charter takeover, fearing the UK company will shift production and control away from Sweden. They will this week appeal to institutional shareholders not to accept the offer.

Mr Henrik Wikman, senior portfolio manager at Wasa Life, which holds a 3 per cent voting stake in Esab, said he did not share the trade union objections. But he described the Charter bid as "stingy". "It might be difficult to complete at the price they have set, but we have made no final decision yet."

Analysts in Stockholm expect Esab to report six-month pre-tax profits of around SKr175m ($22.6m), against SKr23m last year. Many anticipate profits growing faster than the company's forecast, issued before the Charter bid, of full-year profits of SKr300m. "The feeling is Charter is buying too cheap," said one senior analyst.

Charter, however, insisted last week that it had no intention of changing its offer. "People are trying to test our mettle. They would like more money," said Mr Charles Parker, Charter commercial director. "I think whatever price we had agreed this would have happened."

This week: Company news

PHILIPS

Switched on for a more profitable performance

Philips, the big Dutch-based electronics group, is expected to show a further strong improvement in performance when it unveils second-quarter figures on Thursday.

Analysts are looking for a continuation of the first-quarter trend, when net profit more than doubled. Forecasts for the second quarter call for a net profit per share on normal business activities (excluding extraordinary items) of around Fl0.80 compared with Fl0.37 a year earlier.

This would put Philips on track for substantially higher full-year results and could lead to a rise in the dividend when the payout decision is taken early in 1995. Philips paid a small dividend in 1993, its first since the payout on 1989 results.

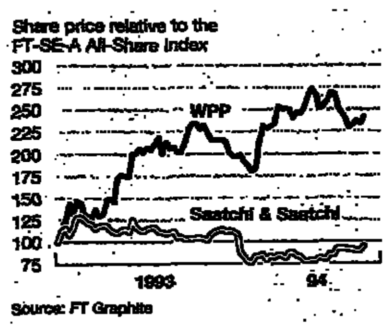
The extent of the second-quarter rise will depend crucially on the contribution made by economic recovery in Europe, the electronics company's main market. So far in 1994, the profit increase has rested mainly on cost-cutting and the pruning of debts and financial charges, rather than on a wholesale change in business conditions.

These factors on their own should lead to another big increase compared with the 1993 second quarter, but a resurgence in Europe, both in consumer spending and corporate investment would confirm and strengthen the company's upward trend.

Components, lighting and consumer electronics are all expected to show good results in the second quarter.

The biggest question mark hangs over the professional products sector. Philips' communications equipment business has been badly hit in Germany by lower investment by Deutsche Telekom, and the company's German subsidiary is redoubling efforts to win contracts on export markets in other parts of Europe and beyond.

WPP/Saatchi & Saatchi



Source: FT Graphite

WPP/SAATCHI & SAATCHI

More confidence as advertising rallies

Interim results for the two marketing services giants, Saatchi & Saatchi and WPP, are expected to reflect the growing confidence in a gradual worldwide recovery in advertising expenditure. Zenith, Saatchi's own media-buying division, in its latest half-yearly forecast of world spending trends, sees expenditure growth of 5.5 per cent this year, compared with 3.4 per cent for 1993.

Saatchi is expected today to report pre-tax profits of £13m-£13.5m ($21m) for the first six months, compared with £9.1m in 1993. The group will continue to suffer from the loss of some large US clients. However, there have also been some recent business wins, notably for Qantas' overseas advertising and the UK's national lottery.

Analysts will be watching for signs that the shake-up of the US business is beginning to take effect, and that headway is being made on improving margins beyond 6.3 per cent.

WPP's interim results on Wednesday are likely to show pre-tax profits of around £36m-£37m, compared with £24.1m in 1993. The group will be particularly keen to emphasise the good news and impress the institutions: the banks, which bailed the group out in 1992 in a $271.6m (£175.2m) debt-for-equity swap, will be free to sell their 190m shares – 26.5 per cent of the enlarged share capital – at the beginning of next month.

OTHER COMPANIES

Hopes that Dresdner will fulfil expectations

Dresdner rounds off the mid-year reporting season for Germany's big banks at a press conference on Wednesday.

So far, results have come in above expectations and Dresdner's numbers are likely to show the benefits of economic recovery and country debt reschedulings which allowed its rivals sharply to reduce risk provisions.

They will also probably bear the scars of recent market turbulence which cut deeply into the others' own-account trading income.

■ Hoogovens: The Dutch steel and aluminium group is expected on Wednesday to announce a modest return to the black (before extraordinaries) for the first half of 1994, building on the improvement in results that emerged in the steel sector in the 1993 second half. Hoogovens has forecast a net profit before extraordinary items for the full year compared with a loss of Fl 172m ($97m) in 1993.

■ Veba: The energy-based conglomerate reports half-way figures on Thursday. Much favoured among investors, especially after a 35 per cent earnings increase in the first quarter, its stock has recently been towed upwards by rising interest in the German chemicals sector. Although far smaller than the national giants, its chemicals division has been radically restructured and is performing strongly.

■ SKF: Recovery in Europe, especially in the motor industry, will on Thursday help produce a rebound to first-half profits at the world's leading roller bearing manufacturer, after heavy losses in the first half of last year when the Swedish group was at the bottom of a cyclical slump. SKF, which is also reaping the benefits of heavy cost-cutting and last year's slide in the value of the Swedish krona, has already forecast full-year profits of SKr1.5bn ($190m) after a loss of SKr669m in 1993.

■ Shell Transport and Trading and Royal Dutch Shell: Interim figures for the oil major are due on Thursday. Analysts say the presence of a number of exceptional items in the figures make it difficult to assess the underlying trend in profits. But most expect modest growth, with replacement cost profits of around £800m ($1.24bn). The figures are likely to show that Shell has suffered particularly badly from a downturn in refining margins in Asia, where it has a strong presence.

■ Unilever: The Anglo-Dutch food and consumer products group at the centre of controversy about its Persil/Omo soap powder, is expected on Friday to announce a small decline in second-quarter pre-tax profits, from £590m to about £560m ($868m) – although forecasts range from £530m to £600m. That would make profits for the first half £1.01bn, a small increase from last year's £984m.

Companies in this issue

BAe to cut executives' contracts to two years

By William Lewis

British Aerospace is set to cut the length of its executive directors' service contracts from three to two years following talks with fund management institutions.

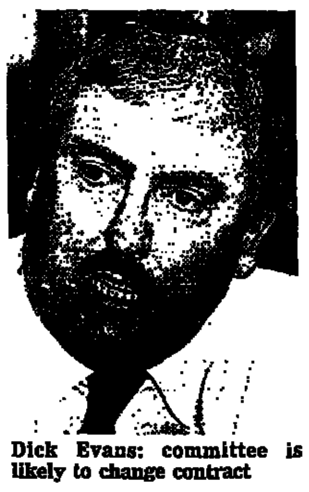
The move follows mounting frustration among institutional shareholders over large payouts to directors who have been forced to resign.

Mr John Cahill, BAe's former chairman, received a £3.1m pay-off when he resigned earlier this year. BAe said the payment was "for all compensation due to him under his service contract."

In June, PosTel, the £25bn investment management group, announced it would be voting against the election and re-election of directors with rolling employment contracts of longer than two years.

Mr Alastair Ross Goobey, PosTel's chief executive, wants to end pay-outs of up to three times basic salary to directors on three-year rolling contracts.

BAe mentioned Postel as "not the only people we have been talking to," and added: "it's a topic which has been coming up in meetings with large investors."



Dick Evans: committee is likely to change contract

Two recently appointed BAe directors – Mr John Weston and Mr Mike Turner – have two-year rolling contracts and the company's compensation committee is expected to decide upon a one-year reduction in the length of the other executive directors' contracts.

In particular, the committee is likely to change the contracts of Mr Dick Evans, chief executive, and Mr Richard Lapthorne, finance director.

Several other companies have also recently cut the length of their directors' contracts. At National Westminster Bank the three-year rolling contracts of six executive directors will end in two years' time, to be replaced by one-year rolling contracts.

And at last month's annual meeting of Argyll Group, the UK's third largest food retailer, the group announced that it was also cutting the length of its directors' service contracts from three to two years.

SCI to raise offer for Great Southern

By Peter John

Great Southern Group, the funerals operator which faces a hostile takeover bid, is to receive an offer worth up to 800p a share from its US aggressor early this week.

The offer was being thrashed out yesterday between the Field family, which has a controlling interest in Southern, and Service Corporation International (SCI), the world's largest funeral company.

Sources close to Houston-based SCI said yesterday that it was in talks over an offer "somewhere between Southern's closing share price of 709p and 800p."

Southern was also hedging its options and holding discussions with Loewen, a Canadian rival.

SCI made its original £87.4m offer at the start of June, but was stonewalled by JD Field and Sons, the private company controlled by the Field family, which has been in the burial business since 1690.

The family, said to have bridled at the abrasive approach of Mr Bill Heiligbrodt, SCI's Texan chairman, rejected the offer immediately. It also ignored a higher offer of 680p a share made last week, valuing the company at £99.1m.

Under Takeover Panel rules a move has to be made this week and it is believed that the latest offer will be accepted.

SCI controls almost 30 per cent of the enlarged capital.

Going public for a higher profile

Antonia Sharpe reports on the planned flotation of ED&F Man

Considering how close ED&F Man is to two of the sweetest things in life – chocolate and money – its low profile with the public comes as some surprise.

However, after more than two centuries of relative anonymity during which time it has developed from a sugar broker to an international trader in agricultural products and financial services, Man has decided to brave the demanding world of outside shareholders and City analysts.

Its proposed stock market flotation, planned for September by way of a placing and public offer sponsored by Schroders with James Capel as broker, is expected to value the company at about £450m and raise £80m of new capital.

Although existing shareholders will sell no more than 15 per cent of their holdings, between 25 and 30 per cent of the enlarged company is likely to flow into public hands.

The immediate benefits of the flotation are twofold. First, it will enable Man to sever its remaining ties with Philip Morris through the redemption of about £40m-worth of preference shares.

The US tobacco and food giant has been seeking to divest its shareholding in Man since 1990 when it accidentally inherited the stake during its takeover of Jacobs Suchard. Man will also be able to pay down debt and continue its investment in upgrading and expanding its fixed asset base.

But Man's management is clearly more interested in the long-term advantages of being a well-capitalised public group. "The flotation will help us greatly in the marketing of our fund management products," says Mr Colin Barrow, managing director of Man's fund management division.

Other benefits include the likely upgrading of its credit rating, currently triple-B plus, and a more sound financial footing for the long-term development of the group.

Although Man has leading market positions in soft commodities, including sugar, cocoa, molasses, peanuts and pepper, its fund management division, which specialises in futures funds using quantitative investment techniques, has played an integral part in its transformation into a diversified business.

The cashflow earned from the fund management and financial brokerage businesses has been ploughed into the commodity side, paying for the processing and distribution facilities which have helped to enhance the quality of the group's earnings.

The profit before tax derived from financial services has far outstripped agricultural products for four of the past five years, during which time the group's pre-tax profit has grown by 75 per cent to £66.7m in the year to March 1994 from £38.1m in 1990, and at a compound growth rate of 15 per cent a year.

Although the group's strong profit record and its adherence to stringent risk management policies will clearly impress potential new shareholders, Man's management still needs to slay several dragons in order to obtain its desired rating, which is believed to be targeted in the low- to mid-teens.

This would be a considerable achievement since it is probable that Man will be listed in the food manufacturing sector, where the prospective price-earnings ratio is just under 12.

The most difficult task ahead for Man is to overcome the City's prejudice against companies with large commodity operations. After all, memories of the old Berisford group and Dalgety's unhappy experience with Gill & Duffus still linger, and some food manufacturing analysts are hardly relishing the thought of having to follow a company whose earnings visibility, in their view, will be cloudy at best.

This stance arouses some bemusement at Man. "It is a curiously London phenomenon that one has to be defensive about commodity operations, as it is in effect an industrial activity," says Mr Barrow. "We have huge factories in addition to being merchants, we don't take large market positions, we are a global and recession-proof business."

Another concern which potential investors are likely to have is that a stock market listing will provide a route for Man's management to sell the rest of their shareholdings. However, the company plans to have a five-year employee incentive scheme in place before the flotation, which should allay such worries and also safeguard the partnership culture which has always been part of Man.

Mr Barrow is also surprised by questions about the quality of the funds which Man has under management and the perception among some analysts that they could flow out at any time.

Of the $1bn (£600m) which Man has under management, more than 30 per cent is contractually committed for a period of seven to eight years, he says. In addition, about 70 per cent is invested in so-called "guaranteed" funds where the focus is on the longer term.

In view of the interest from the general public so far – there have been just under 8,500 requests for prospectuses and application forms – Man should be feeling quietly confident about its flotation. But given its 200-year trading experience, it is unlikely to start celebrating until the boat comes in.

Norton to resume production after backers inject C$1m

By Tim Burt

Norton Motors (1993), the beleaguered British motorcycle manufacturer, has been given a one-year lifeline by its Canadian backers.

The company, which almost collapsed last month following a row among its Vancouver-based owners, has been promised a cash injection of at least C$1m (£400,000) to restart production at its Midlands plant.

Norton's shareholders – led by Franmar Development Corporation, a Canadian investment group – agreed the financial package following talks with the company's UK managers.

Mr Matthew Markham, a Franmar director, said the funds could be used to build a final batch of 100 motorcycles using Norton's rotary engine technology. "If successful, we may invest more money on developing new piston engine models," he added.

Fears over the long-term future of Norton rose last month after Ms Rozanda Skalbania, who had been managing the UK plant, left the company.

If the company survives, Mr Markham said it would consider raising fresh finance in North America, where Norton BSA – a shell company – could seek a Nasdaq listing.

Canadians in £43m tissue project

By Richard Gourlay

Kruger Inc, the family-owned Canadian forest products business, is to build a tissue paper facility in Cheshire and will buy a Welsh tissue converting company with the help of 3i, the UK's largest development capital group.

The £43m project to form Kruger Tissue Group UK involves Kruger and 3i investing £22.3m in the share capital of the company, which will also raise £20m of debt from Midland Bank.

The Welsh company being bought for an undisclosed sum is Caernarvon-based Industrial Cleaning Paper, a tissue paper converter with a well established market.

The new mill at Disley, in Cheshire, will produce recycled tissue for private label and industrial markets. Imported tissue prices have surged recently.

Mr Jim Kavanagh, the managing director of ICP, will become a director of Kruger Tissue Group UK.

In 1989, Kruger bought the Disley paper mill from J Bibby and Sons for £2.7m.

Acatos agrees for supplier to subscribe

Acatos & Hutcheson, whose shares climbed almost 12 per cent from 283p on Wednesday to 316p on Friday, said it had reached agreement with "a major international supplier" to subscribe for about 22.5 per cent of A&H's share capital, as enlarged by the share subscription, based on Thursday's close of 288p.

The edible oils and fats manufacturing group said it would make a further announcement "as early as possible."

ICS expands with £1.47m purchase

Industrial Control Services, which provides electronic control systems, has bought the business and certain trading assets of Transmitton for up to £1.47m cash.

Transmitton, a division of Balfour Beatty, designs and makes computer-based control and monitoring equipment for the mining, oil and gas, transport, electricity and water industries.

The price consists of an initial £932,500 and deferred payments of £410,000 and £140,000. In addition, there will be an adjustment, up or down, and up to £600,000 to reflect the value of assets acquired at completion.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Jefferson Smurfit (Ireland)	Cellulose du Pin (France)	Paper & packaging	£670m	Further industry consolidation
Service Corp International (US)	Great Southern Group (UK)	Funeral services	£99.1m	White knight awaited
Equifax (US)	UAPT-Infolink (UK)	Business services	£47m	Original offer upped 20%
Trans Union (US)	UAPT-Infolink (UK)	Business services	£43m	Rival to Equifax bid
BTP (UK)	AGS Industrieklebstoff (Germany)	Adhesives	£12.6m	Conditional agreement
Laird Group (UK)	Godard/SMC (France)	Metal hoses	£3.9m	Buys via French arm
Chelton (UK)	Rayan (France)	Aviation equipment	£0.85m	Cash deal
CRH (Ireland)	Belf (US)	Building materials	n/a	Part of £43m package
Christian Dalloz (France)	Bilsom (Sweden)	Protective equipment	n/a	Incentive starts restructuring
Union Carbide (US)/ Enichem (Italy)	JV	Plastics	n/a	Large new plant planned

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 07.08.94: Pool purchase price £/MWh	Final Prices for Trading on 10.07.94: Pool purchase price £/MWh	Final Prices for Trading on 10.07.94: Pool selling price £/MWh
0030	9.90	9.90	9.90
0100	9.57	9.58	9.58
0130	9.50	9.57	9.57
0200	9.50	9.56	9.56
0230	9.50	9.55	9.55
0300	9.50	9.55	9.55
0330	9.50	9.55	9.55
0400	9.50	9.56	9.56
0430	9.50	9.55	9.55
0500	9.50	9.56	9.55
0530	9.57	9.50	9.50
0600	9.58	9.50	9.50
0630	9.58	9.50	9.50
0700	9.57	9.50	9.50
0730	9.56	9.55	9.55
0800	11.03	9.58	9.58
0830	12.32	9.69	9.69
0900	13.37	11.61	13.98
0930	13.52	15.08	17.45
1000	18.14	13.82	16.19
1030	19.64	18.08	20.43
1100	19.64	19.44	21.81
1130	19.74	19.44	21.81
1200	20.54	24.31	26.68
1230	20.54	24.31	26.68
1300	20.54	24.31	26.68
1330	20.54	24.31	26.68
1400	19.64	18.56	20.92
1430	18.08	18.05	17.41
1500	14.00	13.76	16.13
1530	14.00	12.31	14.67
1600	14.00	10.45	10.45
1630	14.00	10.09	10.09
1700	14.00	10.45	10.45
1730	14.00	12.31	14.67
1800	14.00	12.31	14.67
1830	14.00	12.31	14.67
1900	14.00	12.31	14.67
1930	14.00	12.31	14.67
2000	14.00	12.31	14.67
2030	14.00	12.31	14.67
2100	22.06	12.31	14.67
2130	31.00	15.13	17.49
2200	31.00	21.99	24.36
2230	22.06	27.00	29.37
2300	22.06	27.00	29.37
2330	13.52	21.42	23.79
2400	13.52	12.31	14.67

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-468780 between 8:30am and 5:15pm Monday to Friday.
©Energy Settlements and Information Services Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 08.08.94: Pool purchase price £/MWh	Final Prices for Trading on 11.07.94: Pool purchase price £/MWh	Final Prices for Trading on 11.07.94: Pool selling price £/MWh
0030	11.03	9.90	9.90
0100	9.58	9.58	9.58
0130	9.58	9.58	9.58
0200	9.68	9.58	9.58
0230	9.58	9.58	9.58
0300	9.58	9.58	9.58
0330	9.58	9.58	9.58
0400	9.58	9.58	9.58
0430	9.58	9.58	9.58
0500	9.58	9.58	9.58
0530	9.58	9.58	9.58
0600	9.58	9.58	9.58
0630	9.90	9.61	9.61
0700	22.99	15.00	15.00
0730	16.00	22.98	26.15
0800	17.24	31.81	36.02
0830	19.59	23.46	26.75
0900	19.90	30.73	34.29
0930	25.72	26.96	30.74
1000	28.81	32.28	36.21
1030	28.86	41.39	45.48
1100	28.90	41.99	46.23
1130	29.03	36.82	41.44
1200	42.02	54.78	59.48
1230	42.02	54.38	58.93
1300	41.86	53.17	57.44
1330	28.79	40.69	44.59
1400	23.20	33.55	37.27
1430	23.16	33.09	36.68
1500	23.14	32.89	36.43
1530	19.89	30.67	34.18
1600	19.68	30.59	34.47
1630	33.11	44.12	47.90
1700	23.10	52.31	56.16
1730	23.07	61.76	65.46
1800	19.80	50.78	54.90
1830	18.47	23.91	27.12
1900	17.28	24.95	28.12
1930	17.28	22.98	26.15
2000	17.11	22.82	25.99
2030	10.55	22.82	25.99
2100	16.57	22.82	25.99
2130	26.30	22.82	25.99
2200	26.30	22.82	25.99
2230	25.64	22.82	25.99
2300	17.11	22.82	25.99
2330	16.57	22.82	25.99
2400	16.42	17.43	20.59

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-468780 between 8:30am and 5:15pm Monday to Friday.
©Energy Settlements and Information Services Limited

COMPANIES AND FINANCE

Insurers form group to rescue Confederation Life

By Bernard Simon in Toronto

A group of Canadian life insurance companies has banded together to rescue financially-troubled Confederation Life, the country's fifth largest insurer.

Details of the bail-out have yet to be finalised, but it is expected to involve about 10 companies which would inject C$600m (US$433m) into Confederation in the form of preferred shares and senior debt.

Confederation had assets under management of C$33bn at the end of 1993. Its operations, which include a successful UK banking and insurance arm, are relatively healthy, but its balance sheet has been weakened by heavy losses in the depressed North American real estate market.

Confederations's problems are symptomatic of a shake-out taking place in the overcrowded Canadian insurance market. Two medium-sized companies have collapsed in the past year and several mergers and takeovers have been completed. Fierce competition has severely eroded underwriting margins.

The Confederation rescue follows almost a year of talks between the Toronto-based company and Great-West Life Assurance, which is controlled by Montreal-based Power Corporation. Great-West Life had proposed a C$225m injection as well as a substantial reduction in Confederation's operations, including the sale of its group life and health business, and the disposal of part or all of its UK operations.

Mr Paul Cantor, Confederation's president, said that "as the deal worked its way through, [Great-West] reached the conclusion that that wasn't going to be adequate."

He said that Great-West has taken a "very conservative view" of the outlook for North American real estate, with a full recovery not expected for another decade. Great-West has also insisted on significant reserve provisions. Confederation suffered losses of C$232m on its loan portfolio in 1992 and 1993. Non-performing loans totalled C$800m at the end of last year.

Confederation's UK arm is one of the leading providers of pooled pension products for medium-sized companies. Its team of 850 direct sales agents markets a range of unit-linked individual insurance contracts, including standard term and savings products.

Renault pushed to front of the grid

France is clearing the way for an important privatisation, reports John Ridding

Slowly, but surely, Renault is being pushed towards the front of the privatisation starting grid. Friday's appointment of adviser banks to counsel the French government, and the preliminary selection of six advertising agencies, are the latest and clearest signs that France is clearing the way for one of the most important operations of its privatisation programme.

"The preparations are in place," said one official. "But we cannot say when the starting flag will fall, nor how long the race will be." A spokesman at the economics ministry was also cautious, claiming no decisions have yet been taken about the timing or scale of the operation.

In spite of such reticence, the government appears set for at least a partial privatisation by the end of the year. The various scenarios for the reduction of the state's 80 per cent stake in Renault are also narrowing. The government has indicated that it will maintain at least a blocking minority of the shares, citing a minimum holding of 34 per cent.

The operation is likely to involve a share offering to employees and the general public, rather than simply a sale of shares to financial and industrial partners, as suggested earlier this year. The French government is also weighing a capital increase to coincide with privatisation.

The timing and scale of the operation will, however, be affected by political considerations. Renault, one of the best-known symbols of public sector industry, has been a stronghold for trade unions for much of the post-war period.

The Communist-led Confédération Générale du Travail, although no longer representing a majority on the company's workers' committee, repeated at the weekend that it would oppose privatisation. With presidential elections due next spring, Mr Edouard Balladur, the prime minister, will not want to risk a damaging labour dispute.

Such considerations explain the government's step-by-step approach to the sale of Renault. The timing of the latest announcements, on a Friday afternoon in the middle of the holiday period, is also significant. The common theme is that the government is treading cautiously, while leaving its options open.

Pressures for the privatisation of Renault have grown steadily, however. In particular, Mr Gérard Longuet, the industry minister, has pushed for a rapid and relatively extensive operation. "The state should not be in the business of building cars," he says. Other members of Mr Balladur's centre-right government argue that it is important to maintain the momentum of the privatisation campaign to ease pressure on the budget deficit, targeted at FFr300bn ($56bn) this year.

RENAULT'S PERFORMANCE (FFr m)

	1993	1992*	1991*
Revenues	169,789	184,252	171,502
Operating income	609	7.7	4.8
Share of net income from associated companies:			
Volvo	(147)	(1,280)	(208)
Other companies	95	70	51
Renault net income	1,071	5,680	3,078

*Financial statements have been adjusted to comply with new accounting standards. Source: Renault

An element of urgency is also provided by the divorce agreement between Renault and Volvo following the collapse of their merger plans last year. Under the agreement, Volvo will reduce its stake in Renault from 20 per cent to 12 per cent at the time of privatisation, if this occurs before December. After that date, new negotiations would be opened between Renault, Volvo and the French state.

The collapse of the Renault/Volvo merger has left the French group without a big partner in a consolidating international industry. Specific projects have been agreed on a case-by-case basis. Renault last month concluded an agreement for the joint development of cabs with Iveco, the trucks division of Fiat of Italy. The industry ministry is thought to favour a broader alliance to bolster Renault's position, although it accepts the number of possible candidates is limited.

As the Volvo experience demonstrated, moreover, strategic alliances could be easier after privatisation. Mr Louis Schweitzer, Renault's chairman has made no secret of his desire for privatisation. His case has been buttressed by the group's strong financial performance and the improved image of its products.

Since the mid-1980s, Mr Schweitzer, and his predecessor Mr Raymond Lévy, have transformed Renault from the sick man of the European car industry to one of its leading performers. Profits have been recorded through the recession in the motor vehicle industry, the worst since the second world war. This year, Lehman Brothers, the securities company, is forecasting a doubling in net profits to FFr2.2bn.

The resilience of Renault is partly the result of an improved model range. "A succession of strong chief executives has implemented a turnover strategy based on a significant upgrading of the model range, from below-average cars to distinctive, more luxurious, better styled and built products. These include niche products like the Espace and Twingo," said Lehman.

Such considerations may strengthen Renault's case compared with other privatisation candidates such as Assurances Générales de France, the insurer, which is also on the starting grid for privatisation.

As with other French insurance companies, AGF shares have been hit heavily this year and, although up from their lows, are still down for the year. As a result, the government may wait until the issue would prove more lucrative.

As for Renault, the proceeds depend on the ultimate scale of the operation. The company as a whole is valued at more than FFr40bn, implying receipts for the state of between FFr10bn and FFr18bn, in the case of the government's retention of a majority stake or a blocking minority stake respectively.

The government says it has time to make up its mind between Renault and AGF. "It is our strategy to have two companies in a state of preparation," says one official. Renault's bid, however, is picking up speed. It may well cross the starting line first.

Lac Minerals names new chief

By Bernard Simon

Lac Minerals, the Canadian gold and base-metals producer which is the target of two unwelcome takeover bids, has named a new chief executive as part of efforts to retain its independence.

Mr Peter Steen, formerly president of San Francisco-based Homestake Mining, one of North America's biggest gold producers, replaces Mr Peter Allen, who was unseated last month by a revolt among Lac shareholders. Mr James Pitblado, retired head of Canada's biggest securities firm, remains chairman of Lac.

Lac has received takeover offers from American Barrick of Toronto and Royal Oak Mines, a smaller company based in Vancouver. Both bids are valued at just over C$2bn (US$1.44bn).

Royal Oak's bid brought into the open long-standing dissatisfaction among Lac's shareholders. Criticism centred on Lac's inability to realise the full value of its properties in the US, Canada and Chile.

Mr Steen, aged 63, has wide mining experience in southern Africa and North America. He said shortly after his appointment last Friday that he hoped to prepare a strategic plan, including cost-cutting measures, within two months.

Analysts and shareholders are divided in their predictions on Lac's fate. While American Barrick is widely favoured among the bidders which have appeared so far, some think the recent shake-up could greatly increase Lac's attractiveness as an independent company. Also, other bidders could emerge in coming weeks with more attractive offers.

Unitrin tries to cool bid pressure

By Richard Waters in New York

Unitrin, the Chicago-based insurance company which has become the target of a $2.6bn hostile takeover approach from its larger rival, American General, said yesterday that a combination of the two companies was unlikely to be permitted under current US anti-trust laws.

The company said that, together, the two insurers would account for 25 per cent of the national home-service market, which involves selling life and health insurance and other financial services to mainly lower-income families in their homes.

In some states, the market share would exceed 40 per cent, it added.

"It is very hard to believe that federal anti-trust regulators or state insurance commissioners would approve the transaction American General proposes," said Mr Richard Vie, president of Unitrin.

The company added that the cost and time it takes to build a network of home-service agents "severely limits" new entrants to the market.

Unitrin's statement yesterday was seen as part of an attempt to deflect any pressure it may be under from shareholders to accept the bid approach.

American General announced its interest publicly last week, in an attempt to win the support of Unitrin's shareholders for an acquisition.

HSI launches H-share index

By Louise Lucas in Hong Kong

Investors will be able to track the composite performance of H shares, the Hong Kong-listed China companies, from today with the launch of the Hang Seng China Enterprises Index.

The new index, like the long-standing Hang Seng Index, is compiled by HSI Services, the financial information provider and wholly-owned subsidiary of Hang Seng Bank, the colony's biggest domestic bank.

It comprises all the H shares, of which there are now 10, weighted according to their market capitalisation. The number of H-share companies is expected to double by the end of next year.

Mr Alexander Au, managing director and chief executive of Hang Seng Bank, said the creation of a more focused indicator of the overall performance of H shares was prompted by the growing international interest in these companies.

The index was set at 1,000 on July 8, when the 10th H-share company, Luoyang Glass, was listed. The biggest mover on the index is Maanshan Iron and Steel, with a 30 per cent weighting, followed by Shanghai Petrochemical and Yizheng Chemical Fibre.

HSI Services directors meet later this month to tackle a thornier issue: the replacements for Jardine Matheson and Jardine Strategic, both of which delist at the end of the year.

Companies including Henderson Investment, the property investment company controlled by Mr Lee Shau-kee, Guoco Group the banking and property company, and First Pacific, whose interests span banking, property and telecommunications, are already jockeying for position.

Being in the index is seen as both a prestigious move and one which can benefit the share price.

Emerging Markets, Page 19

Coca-Cola Amatil up 22% in first half to A$40.1m

By Nikki Tait in Sydney

Coca-Cola Amatil, the Australian soft drinks group, announced after-tax profits for the six months to June up 22.4 per cent to A$40.1m (US$30m).

The group is 51 per cent-owned by Atlanta-based Coca-Cola and has interests spanning Australasia, Indonesia and eastern Europe.

Sales were 11.6 per cent higher, at A$1.04bn, while operating profits, before interest and tax, were A$89.7m, compared with A$75.2m in the same period of 1993.

CCA said the Australian market had been competitive, but sales had risen by 7 per cent and profits by 9 per cent. There was a strong performance from New Zealand, while in Fiji, sales had grown solidly but profit had been affected by additional marketing costs. A new bottling plant in Suva is due to be completed later this year.

In eastern Europe, CCA reported satisfactory volume, sales and profits growth in both Austria and Hungary in local currency terms, but foreign currency movements had depressed returns in Australian dollar terms. Sales and profits from the Czech Republic increased strongly.

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / Bronwen Maddox in New York

Seeking synergies with the networks

Ted Turner, the boss of Cable News Network, never lets the world forget that he could be a contender. Last week, attending the Goodwill Games in St Petersburg, he stirred the bid fever surrounding CBS, the US television network, by declaring that he might try to buy it. Or, indeed, he added, one of its two rivals, ABC and NBC.

It is curious that, if seriously interested, he would talk up the value of his target. But Mr Turner is given to startling pronouncements about the future of the media business. Five years ago he shocked a conference of European television grandees by prophesying that Britain's two satellite operators, Sky and BSB, could not survive with rival, incompatible systems of customer equipment. Then, he proved prescient: the two merged shortly afterwards. But now? Put bluntly, why would anyone want a US television network?

Easy, say many analysts. "It's a wonderful business," according to Mr David Londoner, media guru at Wertheim Schroder in New York. He estimates that CBS churns out some $350m of free cash a year; indeed, to consume its much criticised cash pile, the network has turned to buying back its shares.

If network revenues are above expectations – and analysts predict that advertising is now picking up with the resumption of economic growth – most of that bonanza drops to the bottom line.

Bid speculation has also been stirred by imminent regulatory change. Under the 1971 "financial interest-syndication" regulations, networks have been barred from producing much of their own material, apart from news, and from participating in the lucrative "syndication" markets – selling re-run programming to local stations.

The lifting of the ban next November will allow a wider range of companies to own networks and to achieve synergies previously inaccessible, Wall Street analysts argue. Companies which might be tempted to acquire a network include Walt Disney, Tele-Communications Inc and CNN, they say.

However, there are reasons to be sceptical of this pitch about the networks' attractions. In many ways, the networks are the poor cousins of US television, particularly compared to local stations.

Although in the ferocious battle between the three networks for ratings, each has held the top slot at some point in its life, none can claim a secure hold on that position, in contrast to some local stations which sustain a dominant share of their market for years.

That is one reason why network operating profit margins, even in a good year, tended to hover around 10 per cent, compared with the 60 per cent which some local stations achieve.

Another is that the industry's evolution has left the networks with an unattractive share of its risk and rewards. Although the huge cost of new programming is spread over the networks, local stations, cable, and the production companies themselves, the networks pay the largest slice, and bear the lion's share of the risk that it will fail. Mr Al Gottesman, analyst at Paine Webber, argues that "the industry is not structured to maximise profits at the network level".

Mr Gottesman, who has distilled from his long experience of the industry a refreshing scepticism, believes that it is not just the fin-syn rules which have made those rewards unachievable. The networks, he argues, have often been employed by their owners "for some grander purpose" besides the pursuit of advertising.

NBC, in its earliest days as the National Broadcasting Corporation, "was designed to make people buy radio sets", he says. "(Local) stations in the main have a history of being run just for financial results, although some never quite got it together. But there are no networks which have been run that way."

Undoubtedly, there would be attractive cost savings from some of the partnerships which have recently been mooted; Ted Turner, for example, has estimated that he could save at least $50m a year by merging the news operations of CBS and CNN. But the danger is that potential bidders are putting too much weight on a new grand strategy: to use the networks as captive distributors of programming.

That vertical integration could prove misconceived: the new entity may be worth less than the sum of the parts. It would be astonishing if the programming partner did not try to force programmes onto the network which the network would not freely choose, at a cost to ratings and advertising.

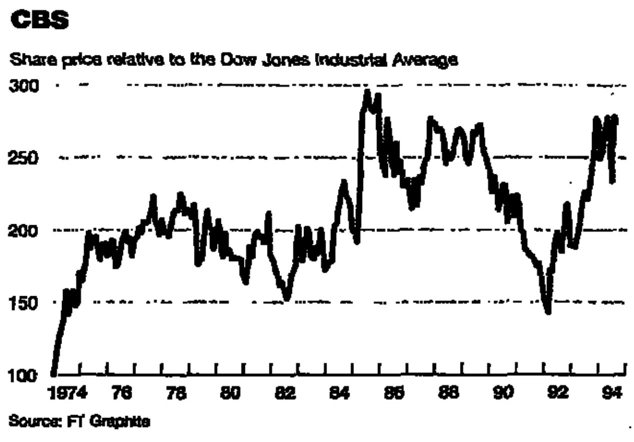
The new group might also fail to make the most of the value of its programming, if it no longer peddled it as aggressively to competing buyers. Given those risks, the chance to enter production may be a quagmire from which regulation has, to date, protected the networks.

Many argue that these pitfalls could be avoided with tough management, which would keep a measure of independence between the two arms. But harvesting all the possible synergies between two huge, complex organisations, while incurring none of the disadvantages, is notoriously difficult. It is hard to believe that management could forever triumph over such pressures.

The media mergers of the past decade have given plenty of reason to be suspicious that, despite the rhetoric, such synergies frequently never appear. You do not need to be cynical to conclude that media tycoons are often poor at maximising returns to shareholders. Many, in retrospect, appear more interested in size or newspaper headlines than in shareholder profit; (you might, in fact, use that as the distinction between an ordinary chairman and a tycoon).

Ted Turner may not be wrong in his reckoning that CBS will be taken over. The question is whether it is really worth doing so, particularly for the reasons suggested by some analysts - and tycoons.

CBS



Source: FT Graphite

Total return in local currency to 4/8/94

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.05	0.04	0.10	0.10	0.16	0.09
Month	0.39	0.17	0.42	0.46	0.69	0.42
Year	3.69	3.03	6.06	5.94	8.56	5.56
Bonds 3-5 year						
Week	0.68	-0.55	0.27	0.12	0.58	0.34
Month	1.28	-0.50	1.04	1.36	0.55	0.73
Year	0.73	3.35	4.93	3.21	5.89	1.70
Bonds 7-10 year						
Week	1.30	-1.00	0.68	0.31	1.33	0.86
Month	1.99	-0.86	1.78	3.06	0.75	1.80
Year	-1.57	2.25	2.73	0.85	4.46	-0.17
Equities						
Week	1.0	2.2	2.6	2.2	2.1	1.9
Month	3.2	-0.9	5.8	11.5	4.8	6.6
Year	5.0	0.1	16.4	6.3	19.3	11.5

Source: Cash & Bonds - Lehman Brothers. Equities-© NatWest Securities. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co. and NatWest Securities Limited.

COMMODITIES Richard Mooney

US to assess coffee damage

The mists of uncertainty engulfing the world coffee market following the Brazilian frosts in June and July may have cleared a little more by the end of this week.

On Friday the US Department of Agriculture (USDA) will release the results of the survey of the damage caused by the frosts to coffee trees and to the flowers that will develop into beans for the 1995-96 crop.

The market has retreated from the 8½-year highs of more than $4,000 a tonne reached after the second frost. But, following the publication late last month of a Brazilian government assessment putting the damage at about 11m bags (60kg each), 40 per cent of the previously-expected crop, prices have consolidated in the mid-$3,000s – still 60 per cent up from the level ruling immediately before the first frost. The USDA report should give a better idea of whether that rise is justified.

The aluminium market has also been trying to consolidate after a substantial advance in prices following the implementation of a multilateral agreement to cut production by between 1.5m and 2m tonnes over two years.

The results of that agreement have been apparent in a recent sustained reversal of the earlier, seemingly inexorable rise in London Metal Exchange warehouse stocks of the metal to the highest level ever. But a broader indication will be available on Wednesday when the International Primary Aluminium Institute issues June stocks data covering reserves (including those held by producers) in all of its member countries.

A sign of discord within the group that agreed to cut aluminium output appeared last week when Mr Karl Wobbe, a director of German producer Vereinigte Aluminium-Werke (VAW) called for Canadian and Norwegian producers to step up efforts to implement promised cuts.

"The cuts are not going at the speed and the size as announced," he said. However: "I am confident this will happen in the next few months."

Economics Notebook

Payments and settlements

"Payment and settlement systems are to economic activity what roads are to traffic: necessary but typically taken for granted unless they cause an accident or bottlenecks develop."

So far, the world's payments and settlements systems have not caused any serious problems. But as the foregoing comment from the annual report of the Bank for International Settlements indicates, they have been climbing up the agenda of policy makers in central banks, banks and securities houses, over the past decade.

The reason is fear that a breakdown in what has always been regarded as the unglamorous end of finance could trigger a massive crisis that would destabilise the world economy.

Deregulation and globalisation have led to a spectacular growth in the value of financial transactions both inside countries and across borders. Since every transaction gives rise to obligations that need to be settled through a transfer of money between the parties involved, there has been a commensurate increase in pressure on payment and settlement systems.

The figures associated with payments and settlements are mind boggling. The accompanying chart shows how the level of transactions in a year dwarfs economic output in the main industrial countries. In Japan, for example, the value of transfers of funds jumped from 20 times national output in 1980 to 120 times in 1990.

On a busy day, the transactions handled by the UK's largest electronic payments and settlement clearing system (known as CHAPS for clearing house automated payment system) can amount to a quarter of the UK's annual gross domestic product.

According to the BIS, it takes less than three business days for Japan's interbank funds transfer systems to generate turnover equivalent to the country's annual economic output. It takes just over three days in the US and about four days in Germany.

The increase in the demand for payments and settlements services partly reflects an expansion of domestic money market transactions in many countries; partly the ballooning of foreign exchange market turnover, in line with globalisation, and partly the rapid growth and internationalisation of turnover in securities markets. The scale of liquidity and credit risks involved in the settlement process has increased accordingly.

The risks have become especially concentrated in the world's banks. Not only have transactions grown in size, but the big companies that channel their payments through banks have come to expect that the funds be made available immediately to the recipients. Because of their payments role, banks have been providing ever greater overdrafts to customers in the course of a day's business.

Big UK clearing banks have at times found the equivalent of their entire capital committed in temporary overdrafts by mid-morning. This need not matter if business flows normally. But in event of a failure the authorities could be confronted with a chain reaction that could jeopardise the world financial system.

This "systemic risk" explains why policy makers have become increasingly preoccupied with payments and settlements. Central banks of the Group of 10 countries have a committee on payment and settlement systems that meets regularly at the BIS in Basle. European Union central banks have a "working group on EC payment systems" which is focusing on large-value interbank payments because these entail the biggest potential risks.

In its report, the BIS observed that "large and unpredictable exposures, together with limited information about their true size and distribution, make up the mixture which could spread and intensify financial shocks". It painted a grim picture of possible financial meltdown with "distress sales of assets, leading to general price declines and undermining the solvency of institutions."

There have already been scares in the world financial system, notably during the stock market crash of 1987.

Big problems first surfaced in 1974 with the failure of Bankhaus Herstatt, a small German bank with a large scale foreign exchange business. Its closure took place after settlement of the D-Mark leg of foreign exchange transactions but before settlement of the dollar leg. Some of Herstatt's trading partners, faced with non-payment, refused to make payments on their own account or for customers. The result was a chain reaction, which sharply reduced transfers between banks.

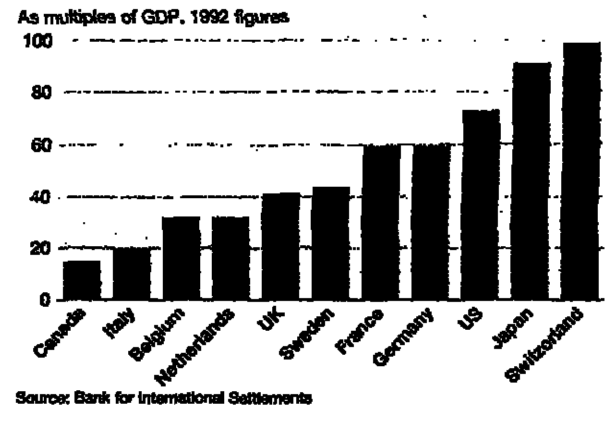
Simulations carried out on the CHIPS system, one of two US large value interbank transfer systems, have suggested that an unexpected settlement failure by a big participant could result in nearly half of all institutions being unable to settle transactions, with perhaps a third of the value of transactions left in limbo. The BIS has described "a worst-case scenario" in which "a vicious circle of induced defaults on settlement obligations, falling prices and insolvencies could ensue."

The good news is that work is well in hand to reduce settlement risks. Plans include the early introduction of "real time gross settlement systems" which would eliminate the granting of involuntary credits through lags in payments, and "delivery versus payments" arrangements to achieve the same objective in securities trading.

But the fact that "Herstatt risk" still exists 20 years after the eponymous bank failure shows how difficult progress can be.

Peter Norman

Annual value of interbank transfers



Source: Bank for International Settlements

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY AUGUST 5 1994 US Dollar Index	%chg since 31/12/93	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/93	Gross Div. Yield	THURSDAY AUGUST 4 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	177.55	6.4	170.76	112.76	146.05	159.28	-2.6	3.46	175.25	168.80	111.00	144.05	158.58	189.15	139.24	144.64
Austria (17)	191.55	3.5	184.22	121.67	157.56	157.64	-5.3	1.01	190.95	183.93	120.95	156.95	156.65	195.41	163.24	163.24
Belgium (37)	176.34	8.4	169.60	112.01	145.05	141.59	-2.4	3.90	176.40	169.91	111.72	144.99	141.61	178.67	143.62	148.14
Canada (105)	127.80	-6.9	122.91	81.17	105.12	128.33	-1.4	2.64	128.88	124.14	81.63	105.93	129.41	145.31	120.64	125.03
Denmark (33)	273.37	10.6	262.91	173.64	224.86	231.29	1.2	1.28	275.04	264.92	174.20	226.06	232.65	275.79	211.26	215.26
Finland (24)	162.87	32.2	156.64	103.45	133.97	177.93	18.8	0.78	164.23	158.19	104.02	134.99	179.48	164.23	104.28	105.65
France (97)	180.00	2.3	173.12	114.33	148.06	152.86	-6.2	2.88	179.29	172.70	113.56	147.37	152.10	185.37	158.87	158.87
Germany (58)	146.08	4.2	140.50	92.79	120.16	120.16	-5.1	1.72	146.40	141.01	92.72	120.33	120.33	147.24	117.92	117.92
Hong Kong (56)	389.80	-20.3	374.89	247.59	320.64	386.65	-20.4	3.14	391.45	377.07	247.94	321.76	389.27	506.56	286.76	290.82
Ireland (14)	207.25	11.9	199.33	131.64	170.48	191.66	3.5	3.23	206.88	199.27	131.03	170.05	191.85	209.33	161.54	165.80
Italy (61)	85.70	24.9	82.42	54.44	70.50	101.01	16.2	1.51	86.27	83.10	54.64	70.91	101.65	97.78	57.88	71 82
Japan (469)	163.87	25.9	157.60	104.08	134.79	104.08	13.4	0.74	164.99	158.93	104.50	135.62	104.50	170.10	124.54	159.70
Malaysia (98)	526.15	-11.1	506.03	334.20	432.80	521.69	-15.0	1.67	523.05	503.62	331.29	429.92	517.30	621.83	381.96	384.54
Mexico (18)	2189.79	-8.3	2106.03	1390.91	1801.24	8082.83	-0.3	1.65	2192.29	2111.68	1388.54	1801.93	8102.84	2647.08	1616.11	1641.59
Netherland (27)	213.62	7.3	205.45	135.69	175.72	173.28	-1.8	3.28	213.98	206.12	135.53	175.88	173.33	214.46	169.90	169.90
New Zealand (14)	72.39	6.6	69.62	45.98	59.55	63.61	-1.3	3.76	71.91	69.26	45.54	59.10	63.30	77.59	56.86	57.81
Norway (23)	209.36	16.5	201.35	132.96	172.21	196.43	7.1	1.88	209.62	201.92	132.77	172.30	196.55	211.74	161.00	161.00
Singapore (44)	357.49	-2.7	343.82	227.07	294.07	248.22	-8.9	1.70	358.26	345.09	226.91	294.47	248.88	378.92	281.85	262.11
South Africa (59)	295.85	10.7	284.53	187.92	243.35	294.22	17.5	2.11	294.35	283.53	186.44	241.94	291.77	295.85	175.93	204.61
Spain (42)	149.27	7.1	143.56	94.82	122.79	147.01	-2.8	3.92	148.54	143.08	94.08	122.09	148.34	155.79	119.38	121.04
Sweden (36)	223.17	13.6	214.63	141.75	183.57	255.77	5.6	1.56	225.86	217.55	143.05	185.65	258.46	231.35	175.83	182.28
Switzerland (47)	159.65	-0.3	153.54	101.41	131.32	132.11	-10.4	1.84	160.30	154.41	101.53	131.76	132.57	170.56	127.57	129.92
United Kingdom (204)	199.38	-2.8	191.76	126.65	164.01	191.76	-6.7	3.95	197.99	190.71	125.40	162.74	190.71	214.96	178.95	178.95
USA (519)	186.80	-1.6	179.66	118.65	153.66	186.80	-1.6	2.89	187.36	180.47	118.67	154.00	187.36	196.04	178.95	183.35
EUROPE (720)	174.39	3.5	167.72	110.77	143.44	157.87	-4.4	2.94	174.11	167.70	110.27	143.10	157.63	178.58	148.45	148.45
Nordic (116)	219.26	15.7	210.89	139.29	180.37	215.03	6.5	1.38	221.32	213.18	140.18	181.91	218.84	222.03	171.15	171.15
Pacific Basin (749)	172.84	19.1	166.23	109.78	142.18	114.56	8.3	1.05	173.75	167.37	110.05	142.82	114.95	176.86	134.79	162.17
Euro-Pacific (1469)	173.36	11.8	166.73	110.12	142.60	131.81	2.6	1.85	173.77	167.39	110.06	142.83	131.97	173.89	143.86	156.42
North America (624)	183.14	-1.7	176.14	116.33	150.65	182.79	-1.6	2.87	183.73	178.97	118.37	151.01	183.37	192.73	175.67	179.74
Europe Ex. UK (516)	157.01	6.4	151.01	99.73	129.15	137.45	-2.9	2.38	157.26	151.47	99.60	129.25	137.58	158.12	129.31	129.31
Pacific Ex. Japan (280)	260.68	-9.1	260.72	165.58	214.44	232.47	-12.9	2.77	269.82	260.27	164.57	213.56	232.16	298.21	196.30	196.70
World Ex. US (1651)	174.55	11.0	167.87	110.87	143.56	135.29	2.7	1.87	174.96	168.52	110.81	143.80	135.46	175.01	145.58	156.77
World Ex. UK (1966)	175.47	7.1	168.76	111.46	144.34	147.49	2.0	2.04	176.10	169.63	111.54	144.75	147.87	176.61	155.96	163.24
World Ex. So. Af. (2111)	176.85	6.2	170.09	112.33	145.47	150.41	0.9	2.23	177.32	170.80	112.31	145.75	150.70	178.56	158.54	164.48
World Ex. Japan (1701)	187.04	-0.4	179.89	118.81	153.86	178.96	-3.2	2.87	187.18	180.29	118.55	153.85	179.12	195.20	169.89	169.89
The World Index (2170)	177.59	6.3	170.79	112.80	146.08	151.48	1.1	2.22	178.04	171.50	112.77	146.34	151.75	178.97	158.85	164.65

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

EMERGING MARKETS: This Week

The Emerging Investor / Tony Walker

Assessing prospects for China's B-shares

While most attention focused last week on the astonishing surge in China's A-share markets for local investors, international fund managers and market analysts were quietly re-assessing prospects for B-shares for foreign investors.

Securities' analysts expect that the B-share markets in Shanghai and Shenzen will continue to make their own pace and to firm for the rest of the year irrespective of what happens with A-shares. Shanghai's B-share index closed the week up just 4.6 per cent, compared with the extraordinary 104.55 per cent leap in A-shares following Beijing's declaration that new listings would be frozen this year.

Mr Richard Graham of Baring Securities in Shanghai predicts that the B-share index will climb back by the end of the year to around 100 points, where it began 1994. It slid by some 40 points by the second quarter, before rebounding by 15 per cent since June. It ended last week at 74.40, up from 71.13 at the beginning of the week.

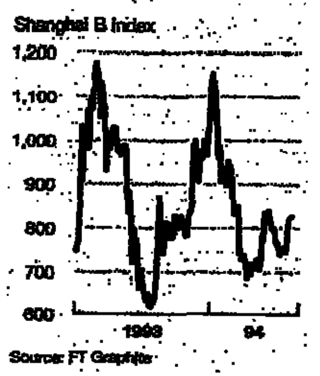
"It now looks much more positive," said Mr Graham. "I think the market will go back to 100 by the end of the year."

He noted that B shares were now trading at multiples of about ten times 1994 earnings, which made them "inexpensive by any standards in an emerging market."

Securities analysts said a number of Shanghai manufacturing companies represented "good value", but fortunes of the tiny Shanghai B-share market – just 24 stocks are listed and turnover is small – depended to an extent on sentiment in Hong Kong towards so-called H-shares. These are Hong Kong-listed mainland companies.

China

Shanghai B index



Source: FT Graphite

A strengthening of H-shares in the past month had helped to revive interest in the Shanghai and Shenzen B-share markets. Other factors in the improving picture for B-shares included a decree issued by China's State Council, or cabinet, clearing the way for mainland Chinese living abroad and other categories of persons deemed appropriate to purchase B-shares.

This "deliciously vague" decree, as one Shanghai-based analyst described it, opened the way for mainland Chinese holding dollars to buy B-shares, either through relatives or friends overseas, or possibly directly through local securities houses.

With an estimated $2.6bn (£1.67bn) on deposit in banks in Shanghai alone and with dollar deposit rates very low there would seem to be ample scope for local investment in the B-share market.

A proposal by the China Securities Regulatory Commission that would enable foreign investors to buy A-shares through Sino-foreign joint venture securities companies is regarded as a positive development and one that would help to bring closer the prospect of unified A and B share markets.

But representatives of international securities companies say this proposal is fraught with difficulties in the absence of an investment management law now in the draft stage. Foreigners could not be expected to invest in A-shares unless the conversion of funds out of the yuan could be guaranteed. Repatriation of funds abroad would also have to be protected.

Removal, however, of the artificial distinction between the A and B share markets will have to await full currency convertibility. Chinese officials are vague about the possible timing of convertibility, beyond saying that it may happen "within five years."

Among other positive developments for Shanghai B-shares was the recent clearance given by the ultra-cautious Japanese share dealer's association for investments in the Shanghai market. While this has not, as far as can be ascertained, been transformed into anything more than a dribble of buying orders, reports that the Japanese are on the way may have helped stabilise the market.

Indications that Japanese securities houses may be turning their attention to "China plays" have been accompanied by reports that a Japanese $1bn fund is being put together that would go 80 per cent to H-shares and 20 per cent to B-shares.

But, like other skittish foreign investors, Japanese securities houses will approach investing in China's fledgling markets warily. It is most unlikely that last week's wild trading in A-shares will be repeated in the B-share market.

Ten best performing stocks

Stock	Country	5/8/94 $ close	Week on week change $	Week on week change %
Jeronimo Martins	Portugal	80.8961	17.7186	28.05
Tele 200	Peru	2.4652	0.5307	27.44
Tan Chong Motor Holdings	Malaysia	1.3983	0.2958	26.83
Companhia Cervejaria Brahma	Brazil	0.3083	0.0575	22.92
Unggul Indah Corporation	Indonesia	1.5029	0.2791	22.80
Otosan	Turkey	2.9346	0.5323	22.16
CSN	Brazil	0.0349	0.0058	19.81
Michaniki	Greece	17.9992	2.8792	19.04
Bank International Indonesia	Indonesia	3.6532	0.5821	18.95
Telephonos (B)	Peru	4.4859	0.6989	18.45

Source: Baring Securities

Mexico stock market surges

Mexico's stock market has surged by 14.9 per cent over the past two weeks, with investors increasingly confident that the ruling party will win a comfortable and transparent victory in the August 21 presidential election, writes Damian Fraser in Mexico City.

The main index has climbed from 2301 on July 22 to 2643 at Friday's close. The market has recovered all of its peso losses of the year, although is still slightly down in dollar terms. It is now trading at about 12.8 times 1995 projected earnings, according to Baring Securities.

Investors have been reassured by a stream of national opinion polls that show the Institutional Revolutionary Party at least 15 percentage points ahead of the centre-right opposition.

Mr Vicente Licona, who runs the reputable polling agency Indemec/Louis Harris reckons the PRI will obtain between 52 per cent and 45 per cent in the vote on election day, against 37 per cent to 28 per cent for the opposition National Action Party.

The expectation that the governing party will win the election has led to a sharp fall in interest rates in recent weeks, which should stimulate economic growth. Last Wednesday 28-day interest rates fell to 15.8 per cent, against 17.66 per cent on July 20. Over the same period the peso has strengthened against the dollar and is below the trading limit.

Second-quarter results turned out to be better than generally expected, giving the market a further fillip. Baring Securities calculates that operating profits of the 42 companies it tracks grew by an average of 16 per cent in the second quarter against 12 per cent in the first. Real sales were up by 8 per cent in the second quarter against 6 per cent in the first quarter.

News round-up

■ Bangkok

Thailand's Securities and Exchange Commission has agreed in principle to allow Thai securities companies to open offices abroad, the SEC announced in Bangkok, *writes Victor Mallet*.

Among the first candidates are likely to be Securities One, the independent broker which has said it wants a regional presence, and Phatra Thanakit, which has dominated the Thai underwriting market.

■ Bombay

The Securities and Exchange Board of India has announced the rules on the preferential allotment of shares and warrants convertible into shares, *Reuter reports*.

The SEBI's announcement is a response to the severe criticism it faced after permitting some 30 leading multinationals to raise stakes in their Indian units by allotting themselves shares at steep discounts. The preferential allotment method was also used by promoters of more than a dozen Indian companies to acquire shares cheaply.

According to SEBI's rules, promoters have an option of pricing the allotment on the basis of the average share price in the past six months or the past two weeks.

■ Budapest

Turnover on the stock exchange rose to Ft18.01bn in July, a rise of more than 60 per cent from June.

Share turnover rose to Ft2.8bn from Ft2.2bn in June, while bond turnover more than doubled to Ft7.8bn from Ft3.6bn a month before.

The number of securities introduced to the bourse rose to 104 in July, from 93 in June.

■ Moscow

Russia is to hold an auction for Rbs600bn worth of six-month Treasury bills on August 9, officials at the Moscow Interbank Currency Exchange have said, *Reuter reports*.

Investors still consider T-bills an attractive instrument, but interest in the paper started fading as T-bill yields fell in line with lower interbank credit rates and a decline in monthly inflation.

● Emerging markets coverage appears daily on the World Stock Markets page

CURRENCIES — Philip Gawith

Dollar stays focus of market attention

Foreign exchange traders will this week continue their dollar vigil, scouring US economic data for hints of when the US Federal Reserve will next raise interest rates.

The employment report last Friday revealed jobs growth above market expectations and lent support to those expecting an early tightening. The focus now switches to the retail sales figures due for release on Friday.

Opinion is fairly split as to whether or not the Fed will choose to move rates at the next FOMC meeting on August 16. It is also split as to what the quantum of such a move might be, and what sort of impact this would have on the dollar.

Mr Avinash Persaud, currency strategist at JP Morgan in London, argues that at least three factors need to be satisfied for a dollar turnround to occur. First, US short rates must be 50–100 basis points higher, as the $/Y rate has never recovered without at least a 300 basis point spread between US-Japanese three month LIBOR rates. The current gap is about 2.5 percentage points. US short rates must also move above German rates to reduce the incentive for Europeans to hedge their currency exposure in US assets.

Second, the bear market in US bonds needs to reverse. "The dollar and bond market decline are part of the same dynamic of establishing an acceptable foreign currency price level for US assets", says Mr Persaud. "When foreigners view US assets as cheap, both bonds and the dollar will rally in tandem."

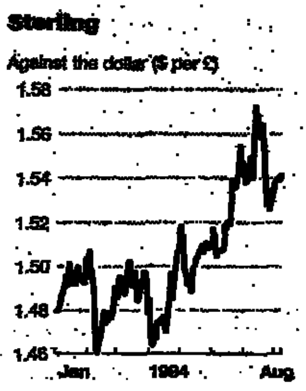
Finally, the Japanese current account surplus has to narrow considerably. The $/Y rate historically lags turning points in the Japanese current account surplus by several quarters. The recent change in US administration rhetoric towards the dollar has convinced some observers that the dollar has turned. Many analysts, however, believe the dollar still has further to fall.

In the UK, markets are also much occupied by the prospect of higher rates which should help sterling. Although there is little expectation of policy being tightened before the next monthly monetary meeting on September 7, economic data ahead of the meeting will be closely watched, starting with today's producer price inflation figures.

The release on Wednesday of the July 6 monthly monetary meeting minutes will shed some light on where policy has been recently. In the short term, however, the fortunes of the dollar are likely to be the key determining factor in the outlook for sterling.

Sterling

Against the dollar ($ per £)



Source: FT Graphite

Baring Securities emerging markets indices

Index	5/8/94	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (288)	172.66	+8.80	+5.37	+20.22	+13.26	+4.25	+2.53
Latin America							
Argentina (20)	110.26	+3.61	+3.39	+10.33	+10.34	-5.12	-4.44
Brazil (22)	195.62	+11.90	+6.48	+41.26	+26.73	+55.97	+40.08
Chile (12)	188.74	+12.52	+7.10	+6.46	+3.54	+41.20	+27.92
Mexico (26)	149.12	+8.19	+5.81	+17.86	+13.61	-12.15	-7.53
Peru(16)	724.43	+45.78	+6.75	+67.72	+10.31	+148.34	+25.75
Latin America (96)	160.64	+8.89	+5.86	+21.74	+15.65	+11.40	+7.64
Europe							
Greece (13)	90.22	+7.51	+9.08	+7.80	+9.47	+7.13	+8.58
Portugal (16)	121.60	+7.07	+6.17	+17.03	+16.28	+9.47	+8.45
Turkey (20)	80.21	-1.17	-1.44	+4.30	+5.67	-81.50	-50.40
Europe (49)	102.13	+5.57	+5.77	+11.27	+12.40	-10.10	-9.00
Asia							
Indonesia (22)	144.90	+5.67	+4.07	+3.09	+2.18	-26.14	-15.29
Korea (23)	130.57	+2.74	+2.14	-2.44	-1.83	+20.87	+19.02
Malaysia (23)	232.64	+15.96	+7.36	+22.64	+10.78	-20.41	-8.06
Pakistan (10)	111.58	-0.11	-0.10	-0.16	-0.14	-0.11	-0.10
Philippines (11)	290.15	+13.25	+4.78	+34.18	+13.35	-32.33	-10.02
Thailand (24)	247.26	+8.08	+3.38	+27.68	+12.61	-16.29	-6.18
Taiwan (30)	175.21	+3.81	+2.22	+23.06	+15.16	+21.50	+13.99
Asia (143)	215.25	+9.51	+4.62	+19.71	+10.08	-6.16	-2.78

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday August 5, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	4272.80	2771.85	1751.94	2758.6
Albania	(Lek)	153.77	99.7534	63.0489	99.2769
Algeria	(Dinar)	58.6090	38.0207	24.0308	37.8391
Andorra	(Fr Fr)	8.3448	5.4134	3.4215	5.3875
	(Sp Peseta)	200.389	129.996	82.1636	129.375
Angola	(New Kwanza)	148577.48	95087.6	60099.2	94883.3
Antigua	(E Carr $)	4.1518	2.6933	1.7023	2.6804
Argentina	(Peso)	1.5391	0.9984	0.631	0.9936
Aruba	(Florin)	2.7525	1.7855	1.1285	1.777
Australia	(Aus $)	2.0793	1.3488	0.8525	1.3424
Austria	(Schilling)	17.1795	11.1448	7.0439	11.0914
Azores	(Port Escudo)	247.711	160.695	101.567	159.927
Bahamas	(Bahama $)	1.5415	1	0.632	0.9952
Bahrain	(Dinar)	0.5812	0.377	0.2383	0.3762
Balearic Is	(Sp Peseta)	200.389	129.996	82.1636	129.375
Bangladesh	(Taka)	60.6873	39.4987	24.965	39.31
Barbados	(Barb $)	3.0926	2.0063	1.2681	1.9967
Belgium	(Belg Fr)	50.1896	32.5589	20.5787	32.4093
Belize	(B $)	3.0754	1.995	1.2609	1.9855
Benin	(CFA Fr)	834.48	541.343	342.154	538.757
Bermuda	(Bermudian $)	1.5415	1	0.632	0.9952
Bhutan	(Ngultrum)	48.3559	31.3699	19.8268	31.2191
Bolivia	(Boliviano)	7.1678	4.6498	2.9389	4.6276
Botswana	(Pula)	4.2718	2.7711	1.7515	2.7579
Brazil	(Real)	1.4051	0.9115	0.5761	0.9071
Brunei	(Brunei $)	2.3226	1.5067	0.9523	1.4995
Bulgaria	(Lev)	81.35	52.7732	33.3552	52.5211
Burkino Faso	(CFA Fr)	834.48	541.343	342.154	538.757
Burma	(Kyat)	9.0325	5.8595	3.7035	5.8315
Burundi	(Burundi Fr)	383.45	248.751	157.223	247.558
Cambodia	(Riel)	5381.95	3491.37	2206.71	3474.69
Cameroon	(CFA Fr)	834.48	541.343	342.154	538.757
Canada	(Canadian $)	2.1378	1.3867	0.8764	1.38
Canary Is	(Sp Peseta)	200.389	129.996	82.1636	129.375
Cp. Verde	(CV Escudo)	129.805	84.2069	53.2227	83.8046
Cayman Is	(CI $)	1.2609	0.8179	0.5169	0.814
Cent.Afr. Rep	(CFA Fr)	834.48	541.343	342.154	538.757
Chad	(CFA Fr)	834.48	541.343	342.154	538.757
Chile	(Chilean Peso)	648.1798	420.486	265.767	418.478
China	(Yuan)	13.2650	8.6052	5.4389	8.5641
Colombia	(Col Peso)	1250.4244	811.174	512.7	807.298
Gambia	(Dalasi)	14.7619	9.5763	6.0528	9.5305
Germany	(D-Mark)	2.4388	1.5821	1	1.5746
Ghana	(Cedi)	1453.13	942.673	595.814	938.189
Gibraltar	(Gib £)	1.00	0.6487	0.41	0.6456
Greece	(Drachma)	368.253	238.883	150.981	237.761
Pakistan	(Pak. Rupee)	47.1058	30.5584	19.3143	30.4124
Panama	(Balboa)	1.5415	1	0.632	0.9952
Papua New Guinea	(Kina)	1.4490	0.9399	0.5941	0.9355
Paraguay	(Guarani)	2764.79	1793.56	1133.62	1785
Peru	(New Sol)	3.4328	2.2269	1.4075	2.2162
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WORLD BOND MARKETS: This Week

NEW YORK — Patrick Harverson

After last week's disturbingly strong July employment report, traders and investors will today be wary of more bad news that might spark another interest rate increase. In particular, nerves will be on edge as the market awaits the July inflation data, due on Thursday and Friday.

The unexpectedly large jump in non-farm payrolls last month prompted economists to warn that the economy was probably growing faster than expected.

Confirmation of that view could come this week when July producer and consumer inflation numbers are published.

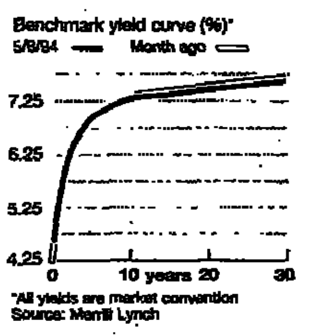
At the moment, Wall Street is expecting a 0.3 per cent rise in the Producer Prices Index on Thursday and a similar increase in the Consumer Prices Index the next day, but those estimates may be revised upwards in light of the strong July jobs report.

If the inflation figures come in above expectations, another sell-off in the Treasury market is likely to follow as investors bet that the Federal Reserve's policy-making open market committee will sanction an interest rate rise at its next meeting, on August 16 and 17.

This week will be especially testing as it includes three big Treasury auctions: $17.25bn of three-year notes will be sold tomorrow, followed by $12bn of 10-year notes the next day, and $11bn of 30-year bonds on Thursday.

US

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

LONDON — Philip Coggan

The most important event for gilts this week is likely to come this morning, with the publication of producer prices figures. The Bank of England last week cited as one of its new inflationary risks "that commodity prices will continue to rise rapidly, pushing up producer output prices".

Mr Peter Fellner of NatWest Markets says: "The market is reconciled to seeing input prices continue to rise. What I think would come as an unpleasant surprise is if there were a pick-up on the output side."

Mr Sanjay Joshi of Daiwa Europe thinks a 0.2 or 0.3 per cent month-on-month increase would be taken as a good sign, while Mr James Barty of Morgan Grenfell says 0.4 per cent or above would be taken very bearishly.

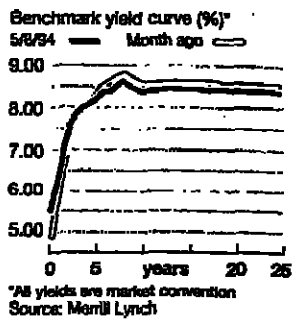
Wednesday sees the publication of minutes of the July 6 meeting between the Bank governor and the chancellor. Analysts expect them to confirm the duo's neutral stance on interest rates.

For the rest of the week, the focus is likely to be on the international market, with investors watching to see if the US Treasury market can recover from Friday's losses.

"There has been evidence that the international economy is more robust than thought," says Mr Fellner, "as shown in figures from Germany and the US, and that is not a positive environment for bonds."

UK

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

FRANKFURT — Christopher Parkes

Few Frankfurt observers doubt that the Bundesbank still has room to resume easing the discount rate, but many are beginning to question whether action will come before the federal elections in October.

As encouraging economic indicators accumulate – filling order books and falling unemployment came last week – the less reason the German central bank has to think of cuts in the near future, at least as an aid to recovery.

Latest retail sales figures, due this week, are expected to embellish the (for the bank) heartening recent pattern. Preliminary indications, including a poor summer sales season, are that private consumption is still slowing.

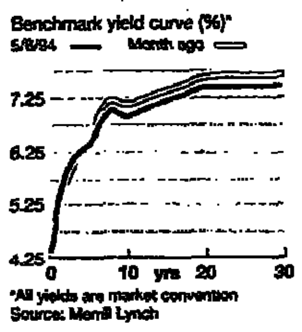
In the coming weeks most attention inside and outside the Bundesbank will focus on money supply data. Further welcome deceleration is expected as the year progresses.

Whether and when the bank accepts the trend as established and as a reason to reduce the discount rate might well depend on political judgment as much as monetary know-how.

On balance, the view is that its president, Mr Hans Tietmeyer, would prefer not to lay himself open to accusations of offering pre-election help to his friend Chancellor Helmut Kohl and the coalition led by his Christian Democrat party, although recent polls suggest he is doing quite well unaided.

Germany

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

TOKYO — Emiko Terazono

The weakening of the yen and increasing prospects of an imminent economic recovery prompted profit-taking ahead of the September book closing last week, and the yield on the No 164 10-year benchmark bond closed at a 14-month high of 4.63 per cent.

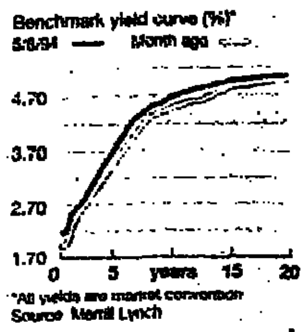
Interest rates have started to discount a widening belief that economic recovery is under way. The long-term prime rate, the rate at which banks lend to first-tier clients, is expected to be raised by 20 to 30 basis points this week, while the recent rise in short-term interest rates may also cause banks to raise the short-term prime rate.

Banks covering for the rise in funding demand from companies ahead of the September six-month book closing has pushed up three-month certificate of deposit rates. Some traders expect the central bank to prevent short-term rates from rising further by supplying funds to the money markets.

Meanwhile, the emergence of brighter prospects for the economy has kept investors on the sidelines. Last month inter-dealer trading volume plunged 36.2 per cent from a month earlier as the likelihood of a discount rate cut diminished. Such low volumes may exacerbate price fluctuations this week, since the US Treasury auction could prompt a shift in funds from the Japanese bond market by overseas investors.

Japan

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

Capital & Credit / Conner Middelmann

Poland set to enter virtuous circle

For bond investors willing to bank on Poland's economic fundamentals, the future looks bright. Successive governments' commitment to market-oriented reforms and stringent fiscal and monetary policy have made Poland's the fastest-growing economy in Europe.

Real gross domestic product is expected to rise by around 22 per cent in the next three years and inflation is forecast to decline into single-digit territory by 1997, from around 30 per cent this year.

Last, the imminent completion of its Brady debt restructuring deal is expected to give an added boost to international investment flows into Poland, which have already risen sharply in recent years.

All this augurs well for Poland's planned comeback to the eurobond market, which is expected to receive a warm welcome not only from emerging-market investors seeking to diversify their portfolios, but also from investors betting on Poland's economic convergence with western Europe and eventual membership of the European Union.

Before it taps the eurobond sector, however, Poland has to complete the commercial bank debt restructuring with its London Club creditors. In June, it entered the final stage of the Brady process, with the cessation of direct trading of its commercial bank loans and the start of "when, as, and if-issued" bond trading. Through when-issued trades, investors contract to buy or sell bonds on their issuance date.

After Poland's bank creditors sign the final agreement in mid-September, several types of Brady bonds will be issued: par bonds (where the loans are exchanged at par value with no debt forgiveness, in return for sub-market interest rates); discount bonds (where creditors forgive 45 per cent of the principal of the debt in return for attractive floating-rate interest rates); or interest-arrears bonds, where unpaid interest payments have been restructured into a bond. Moreover, the Polish government wants to buy back at least 20 per cent of its debt.

Depending on how much debt the government buys back and how many discount bonds are issued, the total amount of Brady bonds issued could amount to some $7bn to $8bn, substantially less that the original $13bn of total debt, estimates Mr Alexander Mitcheson-Smith, head of emerging markets research at UBS. "The Poles got a very generous treatment from their creditors," he says. "Following the completion of the deal, Poland will have one of the best debt ratios of all post-Brady countries," he adds.

The Brady completion could well start a virtuous circle, triggering increased international inflows, especially from its largest natural trading and investment partner, Germany.

"Prospects for a hike in German direct investment in Poland may improve significantly following the Brady deal, given the strong links between the German commercial banking sector and German corporates," predict analysts at J. P. Morgan. Should such inflows materialise, "Poland's medium-term prospects can be expected to improve with accompanying infusion of technology, managerial expertise, market access, and more rapid restructuring of the industrial sector."

Booming foreign investment, declining foreign debt exposure, strong economic fundamentals and continued fiscal and monetary discipline should boost Poland's chances for a strong credit rating, which is said to be in the works.

"Poland's external position looks much stronger than Hungary's; its current account and fiscal deficits are well below those of Hungary; its growth rate is stronger than that of either of its central European neighbours, and foreign investment already seems to be responding positively to the debt agreement," says Mr Jonathan Hoffman, a director of economics at CS First Boston. "In our view, Polish fundamentals merit a Ba1/BB+ rating," – the same as Hungary.

The successful signing of the London Club agreement and a credit rating are likely to be prerequisites for the Polish Republic's much talked-about return to the eurobond market – its first deal since 1979. International investment banks are currently now jostling for the number-one position in the "beauty contest" for lead management of the deal, with some 16 proposals due to be submitted by early September.

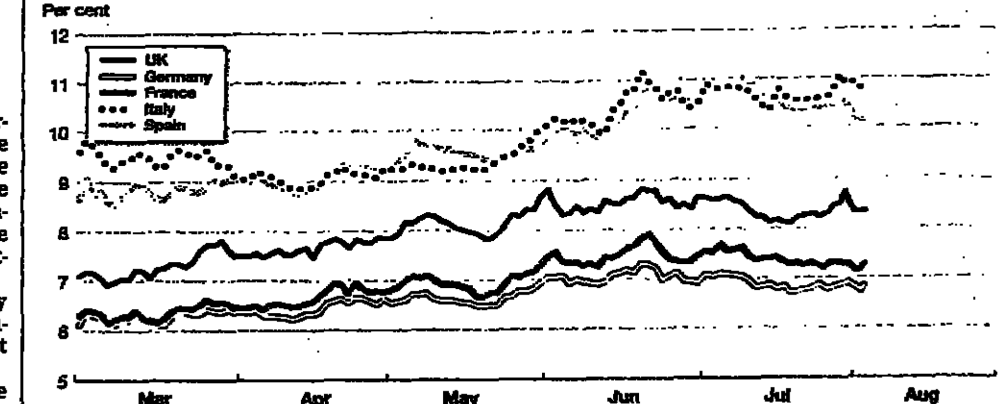
"A decision may be made by November, but the deal probably won't come until early next year," says a Warsaw banker.

Talk in the London syndicate community is for about $200m of three- to five-year bonds. They are likely to be priced off the Brady bonds, which are widely seen as being undervalued and are expected to rally in coming months. That, in turn, could reduce the cost of the eurobond.

As Polish debt becomes more liquid and accessible, analysts expect investor demand to increase exponentially.

"The Brady deal will attract investors who aren't able to buy when-issued Bradys, and the eurobond will attract investors who can't buy Brady bonds," predicts Mr Hoffman. "The universe of investors in Polish debt is widening almost by the week."

10 year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	3.50	1.75	4.50	6.40[1]	7.00	5.25[2]
Overnight	4.25	2.09	4.75	5.25	8.06	4.88
Three month	4.57	2.25	4.85	5.39	8.34	5.50
One year	5.57	2.53	5.06	5.82	9.25	6.62
Five year	6.90	3.92	6.39	6.91	10.80	8.15
Ten year	7.25	4.58	6.67	7.37	10.79	8.38

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	104-15	103-03	-1-14	105-07	103-01	207,030	390,898
Dec	103-23	102-12	-1-14	104-16	102-10	9,109	65,239
Mar	103-00	101-20	-1-14	103-12	101-30	46	4,159

International / Tracy Corrigan

Buyers take another look at Canada

The Canadian bond market, which has suffered the twin handicaps of an adverse international interest rate environment and domestic political uncertainty, showed signs of perking up last week.

The government's C$1.9bn 10-year bond auction met strong buying from domestic and US investors, causing the spread between 10-year Canadian and US bonds to tighten from 208 basis points at the start of the week to 185 basis points on Friday.

Investors, who had been staying away from the market, were encouraged by expectations of such a tightening ahead of this week's 10-year US Treasury auction. But there are other reasons why investors are looking again at the Canadian market.

With 10-year yields still above 9 per cent and flat inflation, real yields are among the highest available – although in the longer term the Canadian inflation rate is not expected to remain flat, but to rise to between 3 and 4 per cent.

For foreign investors, the weakness of the Canadian dollar is also attractive. It has helped encourage substantial flows from retail investors in Belgium, Switzerland and, to a lesser extent, Germany, into the Canadian dollar eurobond market, where new issues totalling more than C$750m were launched last week.

There is a heavy schedule of redemptions in the sector, totalling C$1.8bn in August, most of which is being reinvested in the market, as investors do not want to realise losses incurred on the currency. Dealers also report some nibbling by institutional investors, as well as fresh investment by retail buyers.

However, European institutions have not yet been tempted back into the market in force, either because they are still overweight in Canadian bonds or because they remain cautious about volatility as a result of political uncertainty.

The greatest danger for the market is an explosion of volatility ahead of the September 12 election in Quebec. Concern about the election has abated somewhat since the date was set; at the long end of the market, Quebec bonds have tightened from about 115 basis points two months ago to 95 basis points over Canadian government bond yields.

But the election remains the overriding influence on the market, as the Parti Quebecois, which is in the lead according to opinion polls, has a platform of separating Quebec from the rest of Canada.

According to Swiss Bank Corporation, "even the most cursory look at how the Canadian bond market has behaved in the past shows that concern over Quebec separatism and associated issue of Canada's political unity is one of the most important factors in the market's behaviour". However, the market has priced in the election fears earlier than usual this time round and may not react as violently as it has on past occasions, according to some analysts.

Signs that the governing Liberals are narrowing the gap have helped reassure the markets. In addition, it is widely thought a a PQ victory would represent a vote for a change of government, rather than for separation, and would likely be followed by a referendum vote to remain in Canada.

"Even if the PQ wins, the standard pattern is that the market will pick up once the uncertainty [of the election] is out of way. We don't think separation will occur because the costs involved are so severe," said Mr Simon Maggs, a bond analyst at UBS.

While there could be volatility at the time of the election, analysts are positive about the market's longer-term prospects.

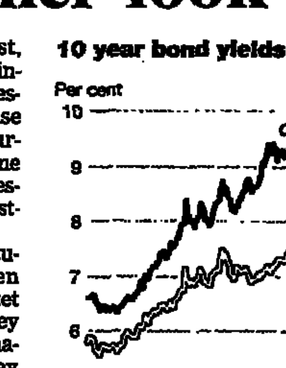
"We are cautiously bullish, but only the brave ones will go in before the election," said Mr Kevin Logan, chief North American economist at SBC in New York.

There is still some downside: while a PQ election victory is priced into the market, a landslide could be viewed by the party as a mandate for separation without a referendum, which is likely to cause a further sharp sell-off.

However, Mr David Adamo, senior vice-president of fixed-income research at ScotiaMcLeod in Toronto, points to strong fundamentals, including low inflation and a pick-up in the economy allowing the provinces to meet their deficit targets. "Going into next year, once the uncertainty of Quebec is out of the way, the spread between Canada and the US may get back to 100 basis points," said Mr Adamo.

The yield curve between two and 30 years, which has been hovering around 100 basis points, is beginning to steepen further, as the Bank of Canada appears to want to keep short-term rates as low as possible. With three-month bills currently down to 5.45 per cent, while two-year bonds are yielding just under 8 per cent, short-dated bonds are currently attractive, according to Mr Adamo.

10 year bond yields



Source: Datastream

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Grand Metropolitan(b)	200	Jun.1999	7.00	98.461R	7.381	+50 (6½%-99)	Lehman Brothers Intl.
Republic of Argentina‡	100	Aug.1997	(c)	99.50R	-	-	Lehman Asia/ JPM Asia
Bank Dagang Negara(d)‡	165	Sep.2001	(d1)	99.382R	-	-	JP Morgan Secs. Asia
TPI Polene Public Co.‡	100	Aug.1999	(e)	100.00R	-	-	Chase Investment Bank
Export-Import Bank of Korea‡	200	Aug.1999	(f)	100.00	-	-	LTCB Asia
Citibank, Brazil Branch‡	60	Aug.1997	(g)	100.00R	-	-	Citibank International
National Bank of Hungary‡	250	Aug.1999	(h)	98.43R	-	-	Salomon Brothers Intl.
BNG	200	Sep.1997	6.375	99.625R	6.517	+10 (Wi 3yr)	Swiss Bank Corp.
Bayer.Vereinsbank O'seas Fin.	200	Sep.1997	6.50	99.79R	6.579	+10 (Wi 3yr)	Swiss Bank Corp.
SCAMT II 94-1, Class A(q1)	750	Jan.2004	7.00§	99¾R	7.141	+43 (6⅞%-99)	CS First Boston
SCAMT II 94-1, Class B(q2)	33.5	Jan.2004	7.25§	99⅛R	7.400	+60 (8¼%-00)	CS First Boston
PB&TMCCTS 1994 A(r)‡	450	Aug.2001	(r1)	100.00R	-	-	Prudential Securities
YEN							
Kawasaki Heavy Inds.(a)§	20bn	Sep.1998	0.50§	100.00	-	-	Nomura International
State Bank of New Sth.Wales	10bn	Aug.2000	4.30	100.23	4.256	-	Nomura International
DMB★‡	10bn	Aug.1998	(h)	100.00	-	-	Norinchukin Intl.
Treasury Corp. of Victoria(s)	10bn	Jun.1997	3.20	100.15	-	-	Nomura International
Kingdom of Sweden(s)	100bn	Dec.1996	2.90	99.99R	2.90	-	Nomura International
New Sth.Wales Treas.Corp.(s)	10bn	Mar.1997	3.20	100.15	-	-	Nomura International
Province of Alberta(s)	10bn	May.1997	3.30	100.20	-	-	Merrill Lynch Intl.
STERLING							
General Electric Capl.Corp.(l)	50	Dec.1998	7.50	97.25R	8.273	+15 (7¼%-98)	BZW/ Kidder Peabody
Helaba	100	Sep.2004	9.00	98.447R	9.098	+48 (6¾%-04)	Salomon Brothers Intl.
D-MARKS							
European Investment Bank	750	Aug.2000	6.625	101.28	6.362	-	Dresdner Bank
Allgemeine Hypotheken Bank‡	200	Aug.1997	(k)	100.10	-	-	Commerzbank
AUSTRALIAN DOLLARS							
Queensland Treasury Corp.★	100	Aug.1997	4.50§	91.365	7.782	-	Nomura International
Australian Ind. Dev'ment Corp.	100	Sep.2004	9.50	100.65	9.397	-	Hambros Bank
National Australia Bank	100	Sep.1999	9.25	101.82	8.785	-	BZW
CANADIAN DOLLARS							
Rabobank Nederland	150	Sep.1998	8.75	100.00R	8.750	+5 (l)	Wood Gundy
International Finance Corp.	300	Sep.2000	zero	58.53R	9.029	+5 (l)	Daiwa Europe
Canadian Global Funding(m)	100	Aug.2004	10.00	99.77R	10.04	+86 (8½%-04)	Hambros Bank
Crédit Local de France	100	Sep.2001	9.00	99.748R	9.050	+15 (l)	ScotiaMcLeod
GMAC Canada(l)	100	Sep.1999	9.375	100.05R	9.362	+60 (7¾%-99)	Paribas Capital Markets
ITALIAN LIRE							
Abbey Natl.Treas.Services(p)	450bn	Sep.1997	10.70	101.235	10.20	-	Swiss Bank Corp.
GUILDERS							
ABN Amro Bank	500	Sep.2002	7.00	99.30R	7.118	+30 (8¼%-02)	ABN Amro Bank
ECUS							
General Electric Capl.Corp.(o)	100	Sep.1998	7.125	99.858R	7.167	+5 (7¼%-98)	BZW
SWEDISH KRONOR							
International Finance Corp.	400	Sep.1999	10.625	100.125R	10.58	+49 (11%-99)	Unibank
SWISS FRANCS							
JP Morgan & Co.	150	Sep.1999	5.00	101.75	4.600	-	Zurich Kantonalbank
LUXEMBOURG FRANCS							
Great Belt	4bn	Sep.2000	7.375	102.00	6.956	-	BIL

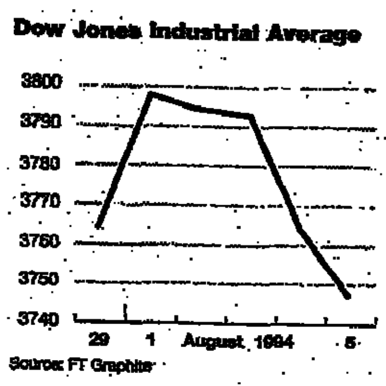
Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. ¶With equity warrants. ★★Private placement. ★Unlisted. §Semi-annual coupon and yield. R: fixed re-offer price. a) Conv price: Y456. Callable from 1/4/95 subject to 130% rule. b) Fungible with $400m. Plus 55 days accrued. c) 3-mth Libor +175bp. d) Puttable in Sep.99 at par. d1) 6-mth Libor +120bp. e) 6-mth Libor +175bp. f) 6-mth Libor +30bp. g) 6-mth Libor +350bp. h) 2.3% to 25/11/96 and 6-mth Libor +40bp thereafter. i) Over interpolated yield. j) Fungible with £100m. Plus 281 days accrued. k) 3-mth Fibor flat. l) Long 1st coupon. m) Issue launched 25/7/94 was increased to C$250m. n) 6-mth Libor +150bp. o) Spread relative to France Ecu OAT's. p) Increased by L150bn at 100⅝% to L450bn. q) Sears Credit Account Master Trust. q1) Expected final maturity: 15/8/00 and average life: 5.02 yrs. q2) Expected final maturity and average life: 15/9/00 (6 10 yrs). r) Prudential Bank & Trust Master Credit Card Trust Series. Expected final maturity: 15/2/00 and average life: 5 yrs. r1) 1 mth Libor +20bp, max 12%. s) Short 1st coupon. Note: Yields are calculated on ISMA basis.

هكذا في الأصل

EQUITY MARKETS: This Week

NEW YORK — Frank McGurty

Cyclical shares likely to suffer most



The prospect of a summer rally on Wall Street now seems as remote as an August snowstorm. On Friday, investors were confronted with the last big hurdle standing in the way of a sustained upturn, and the obstacle proved insurmountable.

The pundits were again tripped up by economic fundamentals, as the July increase of 259,000 in non-farm payrolls was well above the consensus forecast of 200,000.

The immediate result was an 18-point downturn in the bellwether Dow Jones Industrial index, following a 26-point decline the previous session, when the market sensed bad news was on the way.

The data were unsettling because they provided convincing evidence that the economy is still rolling along at an unmanageable pace, even though the Federal Reserve has lifted interest rates four times since February. A fifth move to tighter money now seems likely before the August 16 policy-making session. It might come this week.

An unnamed official at the central bank, quoted by the Market News Service, appeared to confirm the pessimistic view. Employers "are running out of people to hire", the source commented, alluding to incipient wage pressures.

With investors playing the waiting game once again, stocks are likely to retrace the gains posted early last week, before sentiment turns full circle for the second time in a fortnight.

The latest readings on consumer and producer price inflation, scheduled for Thursday and Friday, could exacerbate the tension, especially if the bond market pushes long-term yields to worrisome levels.

Cyclical stocks, especially those in the motor vehicle and heavy equipment sectors, could suffer the most, with the prospect of tighter credit conditions looming large. "Share prices in those groups tend to anticipate events," points out Mr James Solloway, an investment strategist at Argus Research in New York. "They tend to correlate very closely with trends in interest rates."

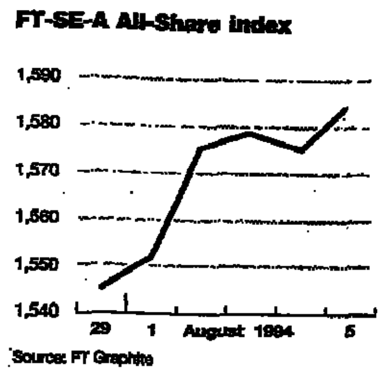
The Big Three carmakers were under pressure even before the release of the employment data, as investors reacted to news of weak July sales of US-made motor vehicles.

But raw material suppliers should continue to benefit from a bubbling economy. Last week, paper and steel companies outperformed the market on news that manufacturers were willing to pay higher prices for the products.

There are a few more rays of sunshine which suggest a mild reaction to any rate increase. Last week saw a resurgence in takeover activity in the pharmaceuticals, media, technology and insurance sectors. Corporate insiders, meanwhile, continue to snap up shares in companies they manage.

LONDON — Terry Byland

Differing views emerge on base rates



It looks as if the stock market, the Bank of England and the investment press are working on different time-scales where base rate prospects are concerned. The Bank's Quarterly Bulletin went down very well in a market still dismayed by the sudden, and still largely unexplained, rise in Treasury bill rates which preceded it. That same report, say the more unkind of the City analysts, was greeted by "almost hysterical press commentary", suggesting the Bank was considering an immediate rate rise.

It is, of course, all a question of timing. Any illusions that base rates can stay at present levels for long, let alone be trimmed just once more, had long since melted away from equity strategists' reports. National Westminster Bank says bluntly that base rates will be raised to 5.75 per cent "within the next six to eight weeks and peak at 6.75 per cent in the middle of next year". Strauss Turnbull also sees rates at 5.75 per cent very shortly.

Having answered its first question – "Where are base rates heading?" – the market is ready with answers for the second – "What will higher rates do to equities?"

The widely-held view is that the UK stock market has successfully moved from being interest-rate driven to becoming driven by the economic recovery, in the form of higher earnings and dividends, actual and prospective.

Reported earnings for non-financial stocks are now running at 8 per cent above last year and analysts are becoming more lavish with upgraded earnings forecasts for UK companies. Real dividend growth of around 6.3 per cent next year is also widely anticipated.

There is an even more optimistic view on base rate trends. Chartists claim, and can produce graphs to prove it, that rising base rates have not in the past spelt doom for share prices. The graphs indicate that equities have risen sharply over the 18 months which followed the last three troughs in interest rates – and an interest rate trough seems to be where we now are. This may mean there is nothing like higher profits and dividends for driving markets. Interest rates can rise quite a long way before shares react.

If this is so, then the sudden rash of speculative fever, now spreading from food stocks to the drugs sector, indicates that a bullish mood is taking hold. After all, what is a half-point rise in base rates compared with a multinational takeover battle for a pharmaceutical giant?

The contest for William Low, while disappointing in market terms – especially for the US house which bought Low shares in the hour between the announcements of Tesco's knock-out bid and Sainsbury's withdrawal – has whetted speculators' appetites.

International offerings / Antonia Sharpe

Stet – the mother of all Italian privatisations

The privatisation of Stet, the Italian state telecommunications holding company, came back into focus last week following remarks by Mr Michele Tedeschi, the new chairman of Iri, the state holding company and Stet's parent, that the sale could go ahead this autumn.

His comments have put the corporate finance departments at several international investment banks on red alert, since they are all keen to have a prominent role in what it has become known as the "mother of all Italian privatisations".

Although unwilling to be quoted (for fear of blowing their chances of winning such a lucrative mandate), bankers and telecoms analysts at these organisations firmly believe that a further tranche of the state's shares in Stet will be snapped up by both domestic and international investors.

Their confidence comes as some surprise when one considers the poor stock market performance of the Italian banks and financial institutions which have been privatised in the last year, and the difficulties which beset the government.

But unlike the privatised banks, which although asset-rich are dismissed as dinosaurs in the international world of finance, Stet's strong earnings potential and its cheapness relative to its international peers makes it a firm favourite with international investors.

In view of Stet's appeal and the numerous hurdles which still need to be cleared, bankers believe that Iri should not put itself under pressure to meet an autumn deadline for the disposal of shares in its most valuable asset.

"If they rush it, they will end up compromising on price and on size," says one banker.

The preferred route would be first to monitor the stock market performance of Telecom Italia, the new company formed from the merger of Sip, the quoted domestic network operator, with four other state-controlled telecoms units. Shares in Telecom Italia, in which Stet will have a holding of around 61 per cent, are due to begin trading on the Milan exchange on August 18.

Second, bankers are hoping that Mr Tedeschi, who returns to Iri after 14 months as managing director of Stet, will press ahead with the planned demerger of the cellular business from Telecom Italia.

Although it could take up to three months to achieve, a separate stock market quotation for the cellular business would allow analysts to value Stet more accurately and enable Iri to get the best price for its shares.

Iri has not revealed how much of its stake in Stet it plans to sell, and analysts believe that it wants to retain a significant shareholding. A possible first step would be the reduction of its holding of ordinary shares from 61.3 per cent to 40 per cent.

At Friday's share price of L5,320, such an offering would raise L4,300bn ($2.8bn), an amount which one analyst describes as "big, but do-able".

Some political concessions are also thought to be necessary before Iri can launch the Stet sale.

Analysts place the greatest priority on the creation of a clear regulatory environment for the telecoms industry and the elimination of political influence in the setting of tariffs.

They are also keen for the government to refresh the privatisation plan which it has inherited from the Amato and Ciampi administrations. On a more mundane note, pro-forma accounts from Telecom Italia would also be welcomed.

Bearing in mind that anything is possible in Italy, the likelihood is that the Stet sale will not happen until early next year.

Even though Mr Tedeschi is on the inside track, he could well be held back by the conflicts within the government.

OTHER MARKETS

STOCKHOLM

The market has been in upbeat mood in recent days in anticipation of the first-half reporting season which begins this week.

Figures will come from Esab, the world's leading producer of welding equipment, and SKF, the roller bearings manufacturer, which in June sharply upgraded its 1994 profit forecast, citing stronger than expected growth in volumes in its main European markets. Many investors believe that the figures will beat analysts' forecasts.

UBS says that the rule of thumb tends to be that profits will need to be 10 per cent above expectations to prevent profit-taking.

It believes that the first-half figures will provide pleasant surprises, particularly in the forest sector and the motor stocks.

On Wednesday, Volvo aims to improve the marketability of its shares with a five-for-one share split.

In Denmark, Novo Nordisk, the health care and industrial enzymes group, presents six-month figures on Wednesday.

Estimates for the half-year pre-tax profit range from DKr700m to DKr980m, with the outcome affected by a DKr80m provision taken against operating expenses to cover restructuring of US companies.

FRANKFURT

After the strong economic data released last week, the only significant news this week will be on retail sales, which demonstrated moderate growth in May – a trend that is expected to have continued in June.

Dresdner Bank will close the banks' reporting season on Wednesday. Analysts forecast a rise in interim operating profit to around DM1bn.

On Thursday, Veba releases figures for the first six months. In the first quarter, the diversified energy and chemicals company's earnings rose 34.8 per cent.

In 1993, net profit fell to DM1.01bn from DM1.04bn.

AMSTERDAM

A heavy week of corporate results is due, starting with Polygram tomorrow and ending with Fokker and Unilever on Friday, *writes John Pitt*.

Brokers expect most of the results to confirm the picture of a general recovery in the European economy, illustrated by the results from chemical groups Akzo Nobel and DSM last week.

Only Fokker, which came under the control of Daimler-Benz of Germany last year, is likely to disappoint, says James Capel, which rates the stock as a sell.

The aircraft manufacturer's share price has fallen 25 per cent since January, with investors selling heavily in March after the group announced a net loss for 1993 of Fl 460m, more than three times analysts' expectations.

By contrast, Philips' second-quarter results, due on Thursday, are widely expected to confirm the group's continuing turnround following an aggressive round of cost-cutting, lower interest rates and a general improvement in consumer spending.

A similar story is expected from its Polygram subsidiary, which is due to publish its first-half figures tomorrow.

Among other results, Unilever, due on Wednesday, will be watched closely to see if the recent "detergent war" with Procter & Gamble has had any effect on margins.

Hoare Govett believes any effect will be insignificant, and is looking for a net profit of Fl 1,055m or Fl 3.75 a share, compared with Fl 3.81 a share in the same 1993 period – the reduction due mainly to the launch of the new detergent brand in Europe.

HONG KONG

The market has Friday's US employment statistics to digest today, while on the corporate side Cathay Pacific announces interim results on Wednesday, ahead of parent company Swire Pacific, *writes Louise Lucas*.

Property sales will continue to be closely monitored. Sales of apartments were oversubscribed last week, but at far more modest levels than those attained earlier in the year.

Brokers reckon that property prices are starting to bottom out and confidence is beginning to trickle back into the market.

The H share index, designed to track China enterprises listed in Hong Kong, is due to be launched today. However, constituent stocks have already enjoyed a healthy rally in anticipation, and are not expected to make big gains this week.

The market overall is in a state of consolidation.

TOKYO

Last week's announcement of Japan Telecom's listing next month may spur some activity in telecommunications-related shares, *writes Emiko Terazono*.

However, overall trading is expected to be light ahead of the Obon holidays, and the Nikkei index is likely to fluctuate around the 20,500 level. Brokers also point out that the start of the annual high-school baseball tournament always signals a downturn in volumes. "Investors will be glued to their television sets and will have little incentive to trade," said a UK broker.

Compiled by Michael Morgan

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 5 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Aug 5 / Frs.)

[illegible]

DENMARK (Aug 5 / Kr)

[illegible]

FINLAND (Aug 5 / Mkk)

[illegible]

FRANCE (Aug 5 / Frs.)

[illegible]

GERMANY (Aug 5 / Dm.)

[illegible]

ITALY (Aug 5 / Lire)

[illegible]

NETHERLANDS (Aug 5 / Fls.)

[illegible]

NORWAY (Aug 5 / Kroner)

[illegible]

SPAIN (Aug 5 / Pts.)

[illegible]

SWEDEN (Aug 5 / Kronor)

[illegible]

SWITZERLAND (Aug 5 / Frs.)

[illegible]

PACIFIC

JAPAN (Aug 5 / Yen)

[illegible]

HONG KONG (Aug 5 / H.K.$)

[illegible]

MALAYSIA (Aug 5 / MYR)

[illegible]

SINGAPORE (Aug 5 / S$)

[illegible]

AUSTRALIA (Aug 5 / Aust$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Aug 5 / Can $)
4 pm close

[illegible]

MONTREAL (Aug 5 / Can $)
4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Aug 5 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal [illegible]. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FT FREE ANNUAL REPORTS SERVICE
You can obtain the current annual reports of companies annotated with ♣. Ring 081 770 0770 or fax 081 770 3822, quoting FT Japan. If calling from outside UK, call +44 81 770 0770 or fax +44 81 770 3822, quoting FT Japan. The Reports will be sent on the next working day. If faxing please remember to state FT Japan and also your post code.

■ TOKYO - MOST ACTIVE STOCKS: Friday, August 5, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	11.4m	363	+2	Toray Ind	4.2m	775	-3
NKK	10.5m	279	+5	Osaka Gas	4.2m	448	-3
Sumitomo Mtl	6.0m	315	-1	Mitsubishi Oil	3.9m	1170	-20
Toshiba	5.4m	775	-4	Furukawa Elec	3.7m	708	-5
Ricoh Co	4.4m	960	+26	Nitsuko Corp	3.5m	1500	-40

INDICES

	Aug 5	Aug 4	Aug 3	1994 High		1994 Low	
Argentina							
General (29/12/77)	19828.72	19895.07	20167.87	25470.40	18/2	17758.90	20/4
Australia							
All Ordinaries(1/1/80)	2081.9	2083.5†	2072.3	2340.60	3/2	1957.40	27/6
All Mining(1/1/80)	1024.7	1020.0	1014.4	1138.10	3/2	904.60	5/5
Austria							
Credit Aktien(30/12/84)	422.70	420.37	421.46	460.86	2/2	398.87	22/6
Traded Index(2/1/91)	1124.40	1115.07	1116.72	1222.25	1/2	1011.38	6/6
Belgium							
BEL20 (1/1/91)	1484.83	1483.69	1478.67	1542.65	9/2	1393.98	13/7
Brazil							
Bovespa (29/12/83)	44695.0	43550.0	43922.0	44695.00	5/8	3900.90	3/1
Canada							
Metals Minls♦(1975)	3922.46	3982.58	3985.31	3988.31	3/8	3298.06	20/4
Composite♦ (1975)	4168.54	4202.10	4206.10	4609.90	23/3	3868.90	24/6
Portfolio§§ (4/1/83)	1963.17	1989.43	1985.12	2182.88	1/2	1053.17	20/7
Chile							
IPGA Gen (31/12/80)	4423.6	4439.0	4442.7	4867.80	4/2	3901.20	4/4
Denmark							
CopenhagenSE(3/1/83)	379.49	381.15	380.79	415.79	2/2	358.60	22/6
Finland							
HEX General(28/12/90)	1877.2	1886.2	1883.7	1972.00	4/2	1601.10	3/1
France							
SBF 250 (31/12/90)	1403.31	1408.56	1405.17	1585.20	2/2	1265.36	4/7
CAC 40(31/12/87)	2107.07	2098.45	2115.07	2355.93	2/2	1868.18	4/7
Germany							
FAZ Aktien(31/12/58)	827.84	825.73	825.81	859.27	18/5	757.51	27/6
Commerzbank(1/12/53)	2351.5	2346.3	2347.4	2486.80	2/5	2149.30	27/6
DAX (30/12/87)‡	2184.76	2163.38	2198.92	2271.11	16/5	1968.82	20/6
Greece							
Athens SE(31/12/80)	907.31	908.58	898.22	1194.58	18/1	806.67	25/5
Hong Kong							
Hang Seng(31/7/64)	9602.21	9642.85	9585.89	12201.89	4/1	8369.44	4/5
India							
BSE Sens.(1979)	4301.5	4300.9	4281.5	4832.80	20/6	3454.00	5/1
Indonesia							
Jakarta Comp.(10/8/82)	472.80	468.73	464.65	612.89	5/1	449.72	13/7
Ireland							
ISEQ Overall(4/1/88)	1871.06	1875.17	1866.93	2082.16	20/1	1694.14	1/7
Italy							
Banca Comm Ital (1972)	703.96	707.90	718.47	817.17	10/5	588.86	10/1
MIB General (4/1/94)	1137.0	1144.0	1161.0	1318.60	10/5	944.00	10/1
Japan							
Nikkei 225 (16/5/49)	20521.70	20676.84	20632.73	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	299.44	300.74	300.35	311.71	13/6	268.22	4/1
Topix (4/1/68)	1649.79	1656.52	1653.31	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2471.16	2453.02	2453.64	2542.65	8/7	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1089.15	1086.80	1079.06	1314.46	5/1	926.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2573.81	2567.31	2881.17	8/2	1957.33	20/4
Netherland							
CBS TtlRtnGen(End 83)	441.2	441.6	442.2	454.98	31/1	408.30	21/6
CBS All Shr (End 83)	280.0	280.3	280.7	294.80	31/1	257.99	21/6
New Zealand							
Cap. 40 (1/7/86)	2111.26	2101.66	2092.20	2439.64	3/2	1945.51	11/7
Norway							
Oslo SE(Ind)(2/1/83)	1138.66	1141.79	1148.32	1211.10	28/2	980.91	21/6
Philippines							
Manila Comp (2/1/85)	2883.39	2897.62	2884.26	3308.37	4/1	2507.33	9/3
Portugal							
BTA (1977)	2901.0	2870.9	2858.2	3228.60	18/2	2812.80	20/6
Singapore							
SES All-S'pore(2/4/75)	567.58	567.72	568.90	641.81	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	2112.0♥	2086.0	2128.0	2331.00	4/1	1749.00	14/2
JSE Indl. (28/9/78)	6535.0♥	6478.0	6448.0	6757.00	15/6	5448.00	19/1
South Korea							
KoreaCmpEx(4/1/80)**	935.82	927.49	923.47	974.26	2/2	855.37	2/4
Spain							
Madrid SE (30/12/85)	322.0	320.03	320.25	358.31	31/1	281.43	6/7
Sweden							
AffarsvardnGen (1/2/37)	1485.40	1487.20	1500.10	1603.90	31/1	1334.70	6/7
Switzerland							
Swiss Bk Ind (31/12/58)	1231.24	1228.97	1228.86	1423.34	31/1	1157.97	18/7
SBC General (1/4/87)	927.64	931.41	931.77	1093.29	31/1	888.10	13/7
Taiwan							
WeightedPr.(30/6/66)**	6919.21	6789.57	6723.56	6919.21	5/8	5194.63	19/3
Thailand							
Bangkok SET (30/4/75)	1418.60	1416.71	1407.28	1753.73	4/1	1196.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	(u)	22108.9	22348.0	28883.80	13/1	12980.70	24/3
WORLD							
MS Capital Int (1/1/70)$	630.9*	632.7	634.2	641.00	1/2	591.80	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1408.12	1409.38	1415.07	1540.19	31/1	1363.48	21/6
Euro Top-100 (26/6/90)	1236.92	1237.74	1241.76	1311.91	2/2	1143.66	21/6
JCapelDrgns (31/12/88)	(u)	329.10	327.46	395.16	5/1	290.28	21/3
Barings Emerg.(7/1/92)	172.66	172.65	170.85	182.72	14/2	141.65	21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Aug	2099.0	2119.0	+17.0	2124.0	2099.0	-	26,723
Sep	2105.0	2126.5	+17.5	2126.0	2105.0	491	7,870
Dec	2134.0	2155.0	+17.0	2134.0	2134.0	1	4,199

Open interest figures for previous day.

US INDICES

Dow Jones	Aug 5	Aug 4	Aug 3	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3747.02	3765.79	3792.68	3978.36 (31/1)	97.64 (28/7)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	98.07	98.26	98.22	105.61 (21/1)	96.43 (13/5)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1598.23	1604.28	1612.33	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	189.43	191.34	192.00	227.06 (3/1)	176.71 (24/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3769.66 (3807.23) Low 3725.00 (3752.52) (Theoretical♦)
Day's high 3765.79 (3790.72) Low 3742.16 (3765.79) (Actual♦)

Standard and Poors	Aug 5	Aug 4	Aug 3	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	457.09	458.40	461.45	482.00 (2/2)	438.92 (4/4)	534.18 (29/7/94)	4.40 (1/6/32)
Industrials♥	532.29	533.36	537.31	580.99 (2/2)	510.05 (21/4)	580.99 (2/2/94)	3.62 (21/6/32)
Financial	44.89	45.08	45.27	46.94 (14/6)	41.39 (4/4)	48.40 (28/8/93)	8.64 (1/10/74)
NYSE Comp.	252.50	253.27	254.58	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	440.34	441.35	446.59	487.88 (2/2)	422.67 (28/6)	487.88 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	718.67	720.18	723.69	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jul 29	Jul 22	Jul 15	Year ago
Dow Jones Ind. Div. Yield	2.72	2.74	2.71	2.88
	Aug 3	Jul 27	Jul 20	Year ago
S & P Ind. Div. yield	2.42	2.45	2.46	2.59
S & P Ind. P/E ratio	23.55	23.13	23.07	25.06

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	458.30	457.40	-0.95	459.00	455.65	40,684	184,299
Dec	459.00	459.80	-0.90	460.00	458.10	680	15,859
Mar	461.80	463.10	-0.90	463.20	461.70	2	2,672

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonos	3,701,000	63	+⅜
Gen Motors	3,455,900	50⅛	-½
Compaq Com	3,325,600	33½	+1⅛
Amer Cyan	2,893,900	90½	+⅛
RJR Nabisco	2,861,400	6⅞	+⅛
Shandong	2,782,600	14	-⅛
Chrysler	2,765,000	45⅞	+⅛
Lowes Cos	2,749,100	30⅝	-2⅛
Ford Motor	2,689,100	29⅝	+⅛
McDonalds	2,323,300	26⅛	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Aug 5	Aug 4	Aug 3
New York SE	230.256	269.141	282.368
Amex	12.753	15.826	14.874
NASDAQ	(u)	246.630	258.090
NYSE			
Issues Traded	2,837	2,832	2,826
Rises	782	904	1,114
Falls	1,329	1,197	980
Unchanged	726	731	732
New Highs	27	43	62
New Lows	50	28	27

** Sat July 30: Taiwan Weighted Price 6720.05, Korea Comp Ex 927.97. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 5 - 2188.61 +12.15

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-873 4378.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-873 4378.

Thornton Unit Managers Ltd - Contd.

Waverley Unit Tst Mngmt Ltd (1000)F

Whittingdale Unit Tst Mngmt Ltd (0830)F

Woolwich Unit Trust Managers Ltd (1700)H

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Baring Investment Mngmt Ltd

CAF - Charity Money Management

INSURANCES

Abbey National Life Plc

Acuma Life Assurance Ltd

AEGON Life Assurance Co (UK) Ltd

Clerical Medical/Fidelity Investments

Friends Provident - Contd.

Lancashire & Yorkshire Assce Society

Laurentian Life plc

MGM Assurance (x)

Norwich Union Life Insurance Soc. - Contd.

Prudential Individual Pension Funds

هكذا في الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-873 4378.

Scottish Mutual Assurance plc - Contd.

Sun Alliance Group - Contd.

Century Life International Ltd

MANAGEMENT SERVICES

Capital Trust Financial Management

Chase de Vere PLC

Lazard Freres Asset Management (CI) Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Coutts & Co Fund Managers Limited

Dresdner Intl Management Services Ltd

Kleinwort Benson Capital Mngt (Ireland) Ltd

Morgan Grenfell Fund Income Funds Plc

Morgan Grenfell Fund Mngrs (Ireland) Ltd

Gartmore Fund Mngrs Intl Ltd - Contd.

John Govett (Channel Islands) Ltd (1000)F

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

IRELAND (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-873 4378.

LUXEMBOURG (SIB RECOGNISED)

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
ABN AMRO Funds						
14 Rue Jean Monnet, L-2180 Luxembourg 352 424940320						
Latin America Equity		$-	52.97	53.78	-	-
Norte America Equity		$-	49.97	50.22	-	-
Germany Equity		DM-	103.73	104.25	-	-
Europa Bond		$-	49.61	49.83	-	-
Germany Bond B		DM-	100.23	100.48	-	-
Abtrust Fund Mngrs Luxembourg SA (u)						
13 rue Goethe L-1637 Luxembourg 010 352 4048461						
Abtrust Atlas Fund						
Global Cap Portfolio		$-	3.220		-	[illegible]
United States Portfolio		$-	2.588		-	[illegible]
Conti Europe Portfolio		DM-	5.288		0.72	[illegible]
Japan Portfolio		Y-	8.781		-	[illegible]
Pacific Portfolio		$-	8.619		-	[illegible]
Gold Portfolio		$-	5.233		-	[illegible]
UK Growth of Income		£-	1.797		0.48	[illegible]
Dollar Portfolio		$-	1.908		5.08	[illegible]
Sterling Portfolio		£-	1.043		5.85	[illegible]
American Phoenix Investment Portfolios (u)						
13 rue Goethe, L-1637 Luxembourg 010 352 4048461						
BAII Intermarket Fund						
2 Boulevard Royal, Luxembourg 010 352 4580 3582						
NAV Jul 15		$-	570.48		-	[illegible]
Bank Von Ernst & Cie AG						

[illegible]

HSBC Investment Funds Luxembourg SA (u)
7 rue du Marché – aux – Herbes L-1728 Luxembourg
Dealing 010 352 475812220 Fax 475568

Henderson Management SA (u)

Hypo Foreign & Colonial Port Fd Sicav(u)

[illegible]

LUXEMBOURG (REGULATED)(**)

Astra International Umbrella Fund (u)

Alliance Capital

[illegible]

Israel Selection Fund

Lloyds Bank Luxembourg (u)

[illegible]

"WINTERTHUR" Fund Mngmt Co (Lux) SA

World Bond Fund–SICAV (z)

World Trust Fund

OTHER OFFSHORE FUNDS

[illegible]

Ermitage Group

[illegible]

Jardine Fleming Unit Trusts Ltd - Contd.

Johnson Fry Securities Ltd

[illegible]

Putnam Emerging Funds Ltd

[illegible]

Wells Fargo U.S. IT Fund

Worldwide Limited

NAV Jun 30 | $82.57 | - | 49653

Xiphias International Investment Fd Ltd

Yamaichi Capital Management (Guernsey) Ltd

Thai Inv Fund | $21.15 | - | 49493

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. b Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ● Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase, ■ ex dividend.
(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission, Jersey: Financial Services Department; Luxembourg: Institut Monétaire Luxembourgeois.

هكذا ورد الأصل

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Aug 5		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1795	+0.0806	706 - 883	17.2203	17.0517	17.1751	0.3	17.1833	0.4	-	-	114.8
Belgium	(BFr)	50.1898	+0.125	441 - 351	50.3500	50.1360	50.1898	0.0	50.2146	-0.2	49.8646	0.6	116.4
Denmark	(DKr)	9.5892	+0.0175	849 - 935	9.6475	9.5849	9.5937	-0.6	9.6033	-0.6	9.6592	-0.7	116.5
Finland	(FM)	8.0242	+0.0096	141 - 342	8.0580	8.0080	-	-	-	-	-	-	82.5
France	(FFr)	8.3448	+0.0214	399 - 497	8.3716	8.3320	8.3469	-0.3	8.345	0.0	8.2916	0.6	109.7
Germany	(DM)	2.4389	+0.0056	377 - 401	2.4474	2.4344	2.4392	-0.2	2.4358	0.5	2.4063	1.3	125.6
Greece	(Dr)	368.253	+0.65	837 - 668	368.744	367.109	-	-	-	-	-	-	-
Ireland	(I£)	1.0117	-0.0019	109 - 125	1.0198	1.0065	1.0118	-0.1	1.0119	-0.1	1.0123	-0.1	104.7
Italy	(L)	2432.79	+4.55	131 - 427	2440.96	2431.31	2439.59	-3.4	2451.34	-3.0	2496.79	-2.6	76.1
Luxembourg	(LFr)	50.1896	+0.125	441 - 351	50.3500	50.1360	50.1896	0.0	50.2146	-0.2	49.8546	0.6	116.4
Netherlands	(Fl)	2.7394	+0.008	382 - 406	2.7506	2.7362	2.7388	0.3	2.7357	0.5	2.7046	1.3	120.1
Norway	(NKr)	10.6553	+0.0235	506 - 599	10.7180	10.6306	10.6523	0.3	10.6628	-0.3	10.6468	0.1	98.2
Portugal	(Es)	247.712	-0.229	485 - 938	248.643	247.485	249.442	-8.4	252.622	-7.9	-	-	-
Spain	(Pta)	200.389	+0.25	253 - 524	201.065	200.253	200.899	-3.1	201.579	-2.4	203.474	-1.5	88.3
Sweden	(SKr)	11.9339	+0.0368	236 - 442	11.9810	11.8814	11.9564	-2.2	12.0059	-2.4	12.2284	-2.5	74.1
Switzerland	(SFr)	2.0574	+0.0043	563 - 584	2.0644	2.0529	2.0558	0.9	2.0513	1.2	2.0173	1.9	120.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.4
Ecu	-	1.2751	+0.0017	744 - 757	1.2796	1.2744	1.2759	-0.8	1.2765	-0.4	1.2775	-0.2	-
SDR†	-	0.941915	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5391	+0.0021	385 - 396	1.5396	1.5315	-	-	-	-	-	-	-
Brazil	(R)	1.4051	+0.0053	023 - 078	1.4078	1.3973	-	-	-	-	-	-	-
Canada	(C$)	2.1376	+0.0035	366 - 386	2.1398	2.1266	2.1382	-0.3	2.1398	-0.2	2.1474	-0.5	85.7
Mexico	(New Peso)	5.2040	+0.0012	978 - 101	5.2101	5.1827	-	-	-	-	-	-	-
USA	($)	1.5415	+0.0024	410 - 419	1.5420	1.5338	1.5406	0.7	1.5385	0.8	1.5269	0.9	63.6
Pacific/Middle East/Africa													
Australia	(A$)	2.0793	-0.0148	779 - 806	2.0963	2.0652	2.0792	0.0	2.0806	-0.3	2.0988	-0.9	-
Hong Kong	(HK$)	11.9094	+0.0193	055 - 132	11.9132	11.8509	11.9055	0.4	11.9044	0.2	11.9115	0.0	-
India	(Rs)	48.3553	+0.0733	335 - 771	48.3771	48.1230	-	-	-	-	-	-	-
Japan	(Y)	154.893	+0.68	809 - 976	154.976	153.940	154.493	3.1	153.648	3.2	148.973	3.8	188.4
Malaysia	(M$)	3.9685	+0.0162	665 - 704	3.9722	3.9434	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5510	-0.0007	492 - 528	2.5528	2.5372	2.5549	-1.8	2.5627	-1.8	2.5849	-1.3	-
Philippines	(Peso)	40.6944	+0.0634	742 - 145	41.0145	40.3139	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7812	+0.0093	791 - 832	5.7832	5.7528	-	-	-	-	-	-	-
Singapore	(S$)	2.3226	+0.0025	211 - 240	2.3240	2.3150	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5820	+0.0079	784 - 855	5.5855	5.5619	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.0136	+0.034	961 - 311	7.0338	6.9661	-	-	-	-	-	-	-
South Korea	(Won)	1237.33	+2.16	881 - 784	1237.84	1231.03	-	-	-	-	-	-	-
Taiwan	(T$)	40.8600	+0.0443	442 - 758	40.8758	40.8440	-	-	-	-	-	-	-
Thailand	(Bt)	38.5902	+0.0754	635 - 169	38.6169	38.5635	-	-	-	-	-	-	-

†SDR rate for Aug 4. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 5		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	11.1450	+0.035	425 - 475	11.2075	11.1060	11.1452	0.0	11.145	0.0	11.06	0.8	104.1
Belgium	(BFr)	32.5600	+0.0305	400 - 800	32.7800	32.5300	32.5775	-0.6	32.605	-0.6	32.66	-0.3	105.6
Denmark	(DKr)	6.2209	+0.0016	199 - 219	6.2673	6.2199	6.2279	-1.4	6.2409	-1.3	6.2759	-0.9	105.0
Finland	(FM)	5.2056	-0.0019	006 - 106	5.2439	5.2006	5.2096	-0.9	5.2176	-0.9	5.2656	-1.2	77.1
France	(FFr)	5.4136	+0.0055	120 - 152	5.4500	5.4065	5.4181	-1.0	5.4239	-0.8	5.3964	0.3	106.0
Germany	(D)	1.5822	+0.0012	819 - 825	1.5930	1.5806	1.5829	-0.5	1.5832	-0.3	1.576	0.4	106.5
Greece	(Dr)	238.900	+0.05	700 - 100	240.200	238.700	239.29	-2.0	240.075	-2.0	243.4	-1.9	69.3
Ireland	(I£)	1.5237	+0.0052	229 - 244	1.5276	1.5092	1.5223	1.1	1.5201	0.9	1.5089	1.0	-
Italy	(L)	1578.25	+0.5	775 - 875	1589.25	1577.50	1583.6	-4.1	1593.4	-3.8	1636.45	-3.6	76.4
Luxembourg	(LFr)	32.5600	+0.0305	400 - 800	32.7800	32.5300	32.5775	-0.6	32.605	-0.6	32.66	-0.3	105.6
Netherlands	(Fl)	1.7772	+0.0024	769 - 774	1.7898	1.7756	1.7779	-0.4	1.7762	0.2	1.7714	0.3	105.2
Norway	(NKr)	6.9125	+0.0045	115 - 135	6.9812	6.9100	6.9155	-0.5	6.9215	-0.5	6.885	0.4	96.4
Portugal	(Es)	160.700	-0.4	600 - 800	161.930	160.600	161.785	-8.1	163.525	-7.0	169.95	-5.8	95.0
Spain	(Pta)	130.000	-0.04	950 - 050	130.890	129.850	130.36	-3.3	131.03	-3.2	133.28	-2.5	81.3
Sweden	(SKr)	7.7420	+0.0118	376 - 464	7.8027	7.7363	7.76	-2.8	7.7936	-2.7	7.947	-2.6	79.2
Switzerland	(SFr)	1.3347	+0.0007	344 - 350	1.3440	1.3320	1.3345	0.2	1.3333	0.4	1.3213	1.0	106.1
UK	(£)	1.5415	+0.0024	410 - 419	1.5420	1.5338	1.5408	0.7	1.5385	0.8	1.5269	0.9	87.7
Ecu	-	1.2090	+0.0004	087 - 092	1.2092	1.2001	1.2076	1.4	1.2064	1.2	1.2188	-0.8	-
SDR†	-	1.45168	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9985	-0.0002	984 - 986	0.9985	0.9984	-	-	-	-	-	-	-
Brazil	(R)	0.9115	+0.002	100 - 130	0.9130	0.9100	-	-	-	-	-	-	-
Canada	(C$)	1.3868	+0.0002	865 - 870	1.3875	1.3845	1.3881	-1.1	1.3904	-1.0	1.4089	-1.7	82.3
Mexico	(New Peso)	3.3760	-0.0045	730 - 790	3.3790	3.3730	3.377	-0.4	3.3788	-0.3	3.3862	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.6
Pacific/Middle East/Africa													
Australia	(A$)	1.3489	-0.0118	484 - 493	1.3581	1.3443	1.3492	-0.2	1.3499	-0.3	1.3572	-0.6	87.4
Hong Kong	(HK$)	7.7261	+0.0005	258 - 263	7.7263	7.7258	7.7268	0.0	7.7267	0.0	7.7416	-0.2	-
India	(Rs)	31.3700	-0.0013	650 - 750	31.3750	31.3650	31.455	-3.3	31.6	-2.9	-	-	-
Japan	(Y)	100.485	+0.285	460 - 510	100.850	100.270	100.285	2.4	99.865	2.5	97.56	2.9	149.5
Malaysia	(M$)	2.5745	+0.0065	740 - 750	2.5767	2.5665	2.5653	4.3	2.554	3.2	2.6275	-2.1	-
New Zealand	(NZ$)	1.6550	-0.003	543 - 556	1.6600	1.6515	1.656	-0.7	1.6578	-0.7	1.6631	-0.5	-
Philippines	(Peso)	26.4000	-	000 - 000	26.6000	26.2000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	+0.0002	502 - 507	3.7507	3.7501	3.7518	-0.4	3.7559	-0.6	3.7745	-0.6	-
Singapore	(S$)	1.5067	-0.0008	062 - 072	1.5095	1.5062	1.5054	1.1	1.5035	0.9	1.4967	0.7	-
S Africa (Com.)	(R)	3.6213	-0.0005	200 - 225	3.6385	3.6200	3.6368	-5.1	3.6651	-4.8	3.7418	-3.3	-
S Africa (Fin.)	(R)	4.5500	+0.015	400 - 600	4.5650	4.5400	4.5837	-8.9	4.6425	-8.1	-	-	-
South Korea	(Won)	802.700	+0.15	600 - 800	803.100	801.800	805.7	-4.5	809.2	-3.2	827.7	-3.1	-
Taiwan	(T$)	26.5075	-0.0125	050 - 100	26.5150	26.4825	26.5275	-0.9	26.5675	-0.9	-	-	-
Thailand	(Bt)	25.0350	+0.01	250 - 450	25.0850	25.0250	25.1075	-3.5	25.235	-3.2	25.705	-2.7	-

†SDR rate for Aug 4. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 4. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 5		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.11	16.63	4.859	2.015	4847.	5.458	21.22	493.6	399.2	23.77	4.099	1.993	4.259	3.071	308.5	2.541
Denmark	(DKr)	52.33	10	8.702	2.542	1.054	2536	2.856	11.11	258.3	208.9	12.44	2.145	1.043	2.229	1.607	161.4	1.330
France	(FFr)	60.14	11.49	10	2.922	1.212	2915	3.283	12.76	296.9	240.1	14.30	2.465	1.198	2.561	1.847	185.5	1.528
Germany	(DM)	20.58	3.933	3.422	1	0.415	997.5	1.123	4.368	101.6	82.16	4.893	0.844	0.410	0.877	0.632	63.49	0.523
Ireland	(I£)	49.63	9.485	8.253	2.411	1	2406	2.709	10.53	245.0	198.1	11.80	2.035	0.989	2.114	1.524	153.1	1.261
Italy	(L)	2.063	0.394	0.343	0.100	0.042	100.	0.113	0.438	10.19	8.236	0.491	0.085	0.041	0.088	0.063	6.365	0.052
Netherlands	(Fl)	18.32	3.501	3.046	0.890	0.369	887.9	1	3.888	90.43	73.13	4.356	0.751	0.365	0.780	0.563	56.52	0.465
Norway	(NKr)	47.12	9.004	7.835	2.289	0.949	2284	2.572	10	232.6	188.1	11.20	1.931	0.939	2.007	1.447	145.4	1.197
Portugal	(Es)	20.26	3.871	3.369	0.984	0.408	981.8	1.106	4.300	100.	80.86	4.816	0.830	0.404	0.863	0.622	62.49	0.515
Spain	(Pta)	25.05	4.787	4.166	1.217	0.505	1214	1.367	5.317	123.7	100.	5.956	1.027	0.499	1.067	0.769	77.28	0.637
Sweden	(SKr)	42.06	8.038	6.994	2.044	0.847	2039	2.296	8.927	207.6	167.9	10	1.724	0.838	1.791	1.292	129.8	1.069
Switzerland	(SFr)	24.39	4.662	4.056	1.185	0.491	1182	1.332	5.177	120.4	97.37	5.800	1	0.486	1.039	0.749	75.26	0.620
UK	(£)	50.18	9.589	8.344	2.438	1.011	2432	2.739	10.65	247.7	200.3	11.93	2.057	1	2.137	1.541	154.8	1.275
Canada	(C$)	23.48	4.487	3.905	1.141	0.473	1138	1.282	4.984	115.9	93.73	5.583	0.963	0.468	1	0.721	72.44	0.597
US	($)	32.56	6.223	5.415	1.582	0.656	1578	1.777	6.911	160.7	130.0	7.742	1.335	0.649	1.387	1	100.5	0.827
Japan	(Y)	324.2	61.94	53.90	15.75	6.531	15711	17.69	68.80	1600	1294	77.07	13.29	6.460	13.80	9.955	1000.	8.236
Ecu		39.36	7.521	6.544	1.912	0.793	1907	2.148	8.353	194.3	157.1	9.357	1.613	0.784	1.676	1.209	121.4	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.6288	0.6329	+0.0038	0.6342	0.6271	43,313	88,746
Dec	0.6295	0.6333	+0.0040	0.6344	0.6275	119	4,547
Mar	-	0.6345	+0.0043	0.6351	-	401	1,501

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.7453	0.7505	+0.0046	0.7518	0.7436	14,748	38,974
Dec	0.7471	0.7521	+0.0048	0.7531	0.7460	89	1,570
Mar	-	0.7547	+0.0050	0.7550	0.7490	1	16

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.9998	1.0007	-0.0018	1.0018	0.9940	21,395	64,957
Dec	1.0020	1.0079	-0.0021	1.0085	1.0010	115	5,981
Mar	-	1.0158	-0.0025	1.0155	1.0130	1	1,051

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	1.5360	1.5410	+0.0068	1.5440	1.5330	8,847	31,015
Dec	1.5370	1.5388	+0.0070	1.5404	1.5360	13	797
Mar	-	1.5360	+0.0072	1.5370	-	1	152

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
1.450	9.11	8.90	8.92	-	-	0.11
1.475	6.61	6.56	6.73	-	0.08	0.34
1.500	4.13	4.36	4.72	-	0.37	0.80
1.525	1.84	2.54	3.03	0.12	0.97	1.59
1.550	0.33	1.24	1.81	1.11	2.14	2.76
1.575	-	0.50	0.98	3.21	3.86	4.40

Previous day's vol., Calls 24,867 Puts 22,579 . Prev. day's open int., Calls 580,506 Puts 447,972

UK INTEREST RATES

LONDON MONEY RATES

Aug 5	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 4¾	5¼ - 5	5 3/16 - 5 1/16	5⅝ - 5½	6⅛ - 6	6¾ - 6⅝
Sterling CDs	-	-	5⅛ - 5 1/32	5 13/32 - 5 13/32	5 15/16 - 5 13/16	6⅝ - 6½
Treasury Bills	-	-	5 - 4 15/16	5½ - 5⅜	-	-
Bank Bills	-	-	5 3/32 - 5 1/32	5 7/16 - 5 5/16	5⅞ - 5¾	-
Local authority deps.	5 1/16 - 4 15/16	5 3/16 - 5 1/16	5 3/16 - 5 1/16	5 9/16 - 5 7/16	6 1/16 - 5 15/16	6 9/16 - 6 7/16
Discount Market deps	6 - 5	5 1/16 - 4 15/16	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.3747pc. ECGD fixed rate Stg. Export Finance. Make up day July 29, 1994. Agreed rate for period Aug 24, 1994 to Sep 25, 1994, Schemes II & III 6.50pc. Reference rate for period July 1, 1994 to July 29, 1994, Schemes IV & V 5.2460pc. Finance House Base Rate 5½pc from Aug 1, 1994

BANK OF ENGLAND TREASURY BILL TENDER

	Aug 5	Jul 29
Bills on offer	£500m	£500m
Total of applications	£3012m	£1368m
Total allocated	£500m	£500m
Min. accepted bid	£98.660	£98.565
Allotment at min. level	100%	74%

	Aug 5	Jul 29
Top accepted rate	5.3747%	5.7558%
Ave. rate of discount	5.3747%	5.6029%
Average yield	5.4477%	5.6823%
Offer at next tender	£500m	£500m
Min. accept. bid 182 days	-	-

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Emerging Markets page in today's edition.

■ Pound in New York

Aug 5	Close	Prev. close
£ spot	1.5415	1.5365
1 mth	1.5406	1.5355
3 mth	1.5388	1.5353
1 yr	1.5295	1.5228

FIXED INTEREST RATES

MONEY RATES

August 5	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4 11/16	5⅛	5¼	5⅝	6	7.40	4.50	-
week ago	4 11/16	5⅛	5 7/16	5 13/16	6¼	7.40	4.50	-
France	5⅝	5⅝	5 11/16	5⅝	5 15/16	5.00	-	6.75
week ago	5⅝	5¾	5 13/16	5¾	6	5.00	-	6.75
Germany	4.93	4.95	4.95	4.95	5.05	6.00	4.50	4.85
week ago	5.75	4.95	4.97	4.98	5.08	6.00	4.50	4.85
Ireland	4 15/16	5 3/16	5⅝	6 1/16	6½	-	-	6.25
week ago	4 15/16	5 5/16	5⅝	6 1/16	6½	-	-	6.25
Italy	8 5/16	8⅜	8½	8⅞	9⅜	-	7.00	8.20
week ago	8 5/16	8⅜	8½	8 15/16	9⅜	-	7.00	7.95
Netherlands	4.85	4.91	4.92	5.01	5.22	-	5.25	-
week ago	4.85	4.91	4.93	5.02	5.21	-	5.25	-
Switzerland	4⅜	4¼	4 5/16	4½	4 9/16	6.625	3.50	-
week ago	4⅜	4¼	4⅜	4½	4⅝	6.625	3.50	-
US	4¼	4½	4 13/16	5 3/16	5 13/16	-	3.50	-
week ago	4¼	4½	4¾	5⅛	5 11/16	-	3.50	-
Japan	2 1/16	2 1/16	2 1/16	2¼	2½	-	1.75	-
week ago	2 1/16	2 1/16	2 3/16	2¼	2½	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	4½	4¾	5⅛	5⅝	-	-	-
week ago	-	4½	4⅝	5 3/16	5 11/16	-	-	-
US Dollar CDs	-	4.45	4.71	5.03	5.61	-	-	-
week ago	-	4.45	4.64	5.04	5.60	-	-	-
SDR Linked Ds	-	3½	3⅝	3¾	4	-	-	-
week ago	-	3½	3⅝	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅝; 3 mths: 5⅞; 6 mths: 6 1/16; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 5	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 15/16 - 4 13/16	5 - 4⅞	5⅛ - 5	5⅜ - 5¼	5 13/16 - 5 11/16	6 5/16 - 5 13/16
Danish Krone	5⅝ - 5¼	5⅝ - 5¼	5 11/16 - 5 7/16	6 - 5¾	6 7/16 - 6 3/16	6 15/16 - 6⅝
D-Mark	4 15/16 - 4 13/16	4 15/16 - 4 13/16	4 15/16 - 4 13/16	4 15/16 - 4 13/16	5 - 4⅞	5 5/16 - 5 3/16
Dutch Guilder	4 15/16 - 4 13/16	4 15/16 - 4 13/16	4 15/16 - 4 13/16	4 15/16 - 4 13/16	5 - 4 15/16	5¼ - 5⅛
French Franc	5⅜ - 5¼	5⅜ - 5¼	5⅜ - 5¼	5 7/16 - 5 5/16	5⅝ - 5½	5⅞ - 5¾
Portuguese Esc.	12⅛ - 11⅞	11 - 10½	11¾ - 11¼	11¾ - 11¼	11¾ - 11¼	11 13/16 - 11⅛
Spanish Peseta	7 11/16 - 7½	7¾ - 7 9/16	7¾ - 7 9/16	7⅞ - 7 13/16	8 1/16 - 7⅞	8⅜ - 8⅛
Sterling	4⅞ - 4⅝	5 - 4⅞	5¼ - 5⅛	5⅝ - 5½	6 - 5 15/16	6 13/16 - 6 11/16
Swiss Franc	4⅛ - 3⅞	4¼ - 4	4 5/16 - 4 3/16	4 5/16 - 4 3/16	4 7/16 - 4 5/16	4 9/16 - 4 7/16
Can. Dollar	5⅜ - 5⅛	5⅜ - 5⅛	5 7/16 - 5 5/16	5⅝ - 5½	6 1/16 - 5 15/16	7⅛ - 7
US Dollar	4 5/16 - 4 3/16	4 5/16 - 4 3/16	4 9/16 - 4 7/16	4⅞ - 4¾	5¼ - 5⅛	5¾ - 5⅝
Italian Lira	9 - 7½	8⅜ - 8¼	8 7/16 - 8 5/16	8 7/16 - 8 5/16	8 13/16 - 8 11/16	9⅜ - 9¼
Yen	2 3/32 - 2 1/32	2 3/32 - 2 1/32	2 3/16 - 2⅛	2 5/16 - 2¼	2 11/32 - 2 9/32	2 13/16 - 2 11/16
Asian $Sing	3⅞ - 3¾	3⅞ - 3¾	4 7/16 - 4 5/16	4¾ - 4⅝	5 5/16 - 5 3/16	5 13/16 - 5 11/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.96	94.80	-0.16	95.00	94.79	105,727	426,302
Dec	94.31	94.09	-0.22	94.35	94.06	139,530	445,729
Mar	94.05	93.85	-0.22	94.10	93.84	54,970	325,736

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.40	95.24	-0.16	95.41	95.23	2,310	19,718
Dec	94.88	94.68	-0.21	94.90	94.67	294	8,948
Mar	94.39	94.39	-0.20	94.41	94.37	718	3,215

All Open Interest figs. are for previous day

UK GILTS PRICES

[illegible]

STOCK INDICES

[illegible]

BASE LENDING RATES

[illegible]

FT GOLD MINES INDEX

[illegible]

BANK RETURN

BANKING DEPARTMENT	Wednesday 3rd August 1994	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,156,657,309	+583,039
Bankers deposits	1,501,329,623	-251,700,338
Reserve and other accounts	3,113,104,492	+196,608
	5,785,644,424	-250,920,691
Assets		
Government securities	1,018,778,709	-323,604,999
Advance and other accounts	4,324,932,373	+2,051,117,280
Premise, equipment and other secs	435,537,895	-1,972,008,827
Notes	6,172,252	-6,464,184
Coin	223,195	+40,039
	5,785,644,424	-250,920,691
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	18,313,827,748	+86,464,184
Notes in Banking Department	6,172,252	-6,464,184
	18,320,000,000	+80,000,000
Assets		
Other Government securities	7,884,504,013	-2,188,898,410
Other Securities	10,435,495,987	+2,268,898,410
	18,320,000,000	+80,000,000

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	21.7	89	83	Baillie G Shn Wrts	88	-1	-	-	-	-
18	F.P.	5.18	31	21	Camell	28		-	-	-	-
-	F.P.	26.5	58	53	Emrg Mkts Country	53		-	-	-	-
-	F.P.	3.60	36	26	Do. Warrants	36	+1	-	-	-	-
175	F.P.	242.6	203	197	Exco A/L	197		L8.4	2.2	5.4	10.7
-	F.P.	6.90	71	69	Freeport	70		-	-	-	-
-	F.P.	59.4	285	238	Ideal Hardware	281		N8.4	1.8	3.7	18.7
-	F.P.	-	77	63	JF Fl Japan Wrts	69		-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl		£22½	5.2	Q61%	ϕ	Sep May	1.9	–
ANZ A$		198	–	Q20c	0.7	Jan Jul	9.12	–
Abbey National	†N□	398	0.3	15.5	2.1	May Oct	14.3	6411
Allied Irish I£	‡†N□	282	3.6	Q53¾%	2.7	Oct May	28.2	1354
Anglo Irish I£	MN□	58	3.8	Q17.9%	1.7	Jan Jul	6.6	1355
Asahi Y		794	-.6	Q14%	ϕ	Jan Dec	12'92	3049
Banco Bil Viz Pta		£15⅜	7.3	Q27.2%	2.7	JyOcJaAp	7'93	–
Banco Sant Pta		£28¼	–	Q38%	2.0	MyAuOcJa	1.8	–
Bk Ireland I£	‡□	280	1.1	Q13.3%	3.2	Jul Dec	16.5	1360
Bank Scotland	‡N□	185½	0.3	5.06	2.4	Dec Jul	16.5	1742
9¼pc Pf		114¼	-.9	9¼%	–	May Nov	25.4	1462
9¾pc Pf		119¼	-.2	9¾%	–	May Nov	25.4	1665
Barclays	‡N□	559	0.9	15.15	1.6	Oct May	14.3	1754
Dai Ichi Kan Y		£12⅛	-1.7	Q17%	1.2	Jan Dec	27.9	–
Deutsche DM		£303½	0.9	Q33%	–	May	5'93	–
Espirito Santo		£9⅜xc	4.0	Q80c	5.2	Jan	6'93	5167
First Nat Fin	N□	66xd	1.5	1.5	–	Mar Aug	18.7	2871
6.3pc Cv Pf		78	–	6.3%	–	Jul Jan	6.6	2570
7pc Cv Pf		128½	-.4	7.0	–	Jul Jan	6.6	1498
Fuji Bank Y		1485	0.9	Q17%	ϕ	Dec Jun	7'93	–
HSBC HK	N□	808	2.5	23.5	2.4	Nov Jan	14.3	2786
HSBC (75p Shs)	N□	793	2.5	23.5	2.4	Nov Jan	14.3	2776
Lloyds	†N□	551	1.3	23.0	2.1	Oct May	14.2	3171
Mitsubishi Y		£16⅜	-1.0	Q17%	ϕ	Jan Dec	12'92	–
Mits Tst & Bk Y		1020	-2.2	Q16%	12.4	Jan Dec	12'92	–
Mitsui Tst & Bk Y		781¼	1.7	Q17%	5.5	Jun Dec	12'92	–
Nat Aust A$	†	527	–	Q58c	1.7	Jul Jan	21.6	–
NatWest	†N□	478	0.7	18.4	2.1	Oct May	28.2	3483
Ottomane FFr		£23½	–	Q125%	ϕ	May	25.5	–
Ryl Bk Scotland	‡†N□	395	2.6	12.0	1.9	Feb Jul	16.5	3874
Sakura Y		£9⅛	-3	Q17%	3.0	Dec Jun	12'92	–
Sanwa Y		£14¼	0.1	Q18%	ϕ	Jun Dec	12'92	–
Standard Chartd	N□	285	8.0	6.0	3.2	Jun Oct	28.6	4094
7 3/8pc Prf		92	–	7.37	–	Apr	14.2	1719
Sumitomo Y		£12⅞	-1	Q17%	6.7	Jun Dec	12'92	–
Sumitomo Tst Y		962	-2.6	Q17%	ϕ	Jun Dec	12'92	–
TSB	†N□	206	0.5	8.07	2.5	Apr Oct	14.2	4320
Tokai Y		£8⅛	-.2	Q18%	2.8	Jun Dec	12'92	–
Toyo Tst & Bk Y		820	6.1	Q15½%	2.3	Jun Dec	6'93	–
Westpac A$		225	–	Q12c	ϕ	Jul Jul	7.6	–
Yasuda Tst Bk Y	‡	587½	-1.8	Q15½%	2.3	Jun Dec	12'92	–

CHEMICALS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
AGA SKr		25⅛	1.5	Q40%	ϕ	May	5'93	[illegible]
Akzo Fl		280⅞	2.7	Q2⅛%	1.8	Nov May	5'93	[illegible]
Allied Colloids	N□	143xd	3.6	2.35	2.5	Aug Feb	4.7	[illegible]
Amber Ind	N	758xd	2.3	20.0	2.1	Jan Aug	4.7	[illegible]
BASF DM		£133⅜	4.9	Q22.8%	–	Apr	5'93	[illegible]
BOC	‡N□	754	0.9	23.2	1.0	Feb Aug	6.8	[illegible]
BTP	‡N□	324xd	5.5	10.0	1.5	Feb Aug	4.7	[illegible]
Bayer DM		£158⅜	2.0	Q22%	–	Apr	6'93	[illegible]
Brent	N□	117½	2.2	4.0	–	May Nov	11.4	[illegible]
British Vita	N□	270	-.4	7.4	1.5	May Nov	28.3	[illegible]
Cambridge Iso $	‡	18	–	–	–	–	11'91	[illegible]
Canning (W)	‡N□	194	0.5	7.28	0.8	Dec Jul	25.4	[illegible]
Cementone	‡N	69	–	2.7	0.8	Oct Apr	6.9	[illegible]
Warrants		29	–	–	–	–	–	[illegible]
Courtaulds	N□	541	2.5	14.8	0.8	Jan Aug	6.6	[illegible]
Croda	N□	372	3.3	8.4	2.2	Dec Jul	11.4	[illegible]
Doeflex	‡N	85	–	4.6	1.9	May Nov	11.4	[illegible]
Engelhard $		£18⅞	3.3	Q44c	–	MrJnSeDe	3'93	[illegible]
European Colour	‡N□	55½	–	1.15	2.4	Jul Jan	6.6	[illegible]
Gibbon Lyons	‡N	134	–	5.5	ϕ	Feb Oct	13.12	[illegible]
Hickson	‡N□	165	–	8.0	1.3	Jun Nov	11.4	[illegible]
Hoechst DM		£146½	4.2	Q18%	–	Apr	4'93	[illegible]
Holliday Chemical	‡□	237	6.8	4.0	2.6	Oct May	14.4	[illegible]
ICI	N□	881	3.2	27.5	0.6	Oct Apr	14.3	[illegible]
Inspec	□	228	1.3	–	–	–	–	[illegible]
Kalon	‡N□	164½	3.5	4.2	2.3	Oct May	14.3	[illegible]
Laporte	‡N□	794	2.8	20.7	1.7	May Nov	28.3	[illegible]
MTM	‡□	75	5.6	–	–	–	9'91	[illegible]
Manders	N	350	0.6	10.0	1.9	Nov May	14.3	[illegible]
McLeod Russel	N□	116	1.8	6.1	1.0	Jan Jul	20.6	[illegible]
Metrotect Inds	‡N□	103xd	1.0	3.48	ϕ	Feb Aug	4.7	[illegible]
Perstorp SKr		£24⅛	2.5	Q49%	2.0	Feb	1'93	[illegible]
Porvair	‡N	310	2.0	4.2	3.0	Apr Oct	28.2	[illegible]
Scapa	‡N□	217xd	0.7	5.88	1.8	Feb Aug	20.6	[illegible]
Sutcliffe Speak	‡N□	49	8.9	0.5	2.9	Jul	–	[illegible]
Wardle Storeys	N□	380	5.3	17.25	1.1	Jul Jan	25.4	[illegible]
Wellington	W□	283	–	5.17	2.0	–	–	[illegible]
Wolstenholme	‡N	723	2.8	18.0	2.1	May Nov	28.3	[illegible]
Yorkshire	‡†N□	418	6.1	8.25	2.5	Apr Oct	28.2	[illegible]
Yule Catto	N□	308	5.5	6.25	2.0	Jul Nov	25.4	[illegible]

DISTRIBUTORS

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

مكتبة الاصل

LONDON SHARE SERVICE

TOBACCO

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
BAT Inds	♣†N□	447	1.2	Q25.47	1.6	Jul Jan	11.4	1717
12¼pc Ln '03/08		£117⅛	0.6	Q12¼%	28.4	Jan Dec	25.4	–
Rothmans Intl Uts	N□	372	2.5	Q16.5	1.3	Oct	4.7	3863

TRANSPORT

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Air London		68	—	3.5	1.9	Dec Jun	16.5	1423
All Nippon Air		711¼	–3.7	Q5%	ϕ	Jun	–	–
Applied Distribn	W□	130	3.0	3.6	2.4	Oct	–	3824
Assoc Br Ports	♣†N□	276	4.9	4.85	2.0	Apr Nov	14.3	1675
BAA	N□	872	2.0	18.8	2.5	Aug Aug	20.6	1721
Badgerline	□	114	—	4.1	–	Sep Nov	–	3359
Bergesen NKr		215	–4.1	Q30%	2.9	May	4'93	5093
British Airways	N□	420	1.8	11.1	2.4	Jan Jul	20.6	1891
Cap 9¾pc Cv		195¾	0.8	Q9¾%	–	Mar	14.2	5304
Cathay Pac HK$		106¾	1.7	842c	ϕ	Jun Oct	–	–

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£27	—	Q375c	1.9	Oct Apr	3'93	–
Barlow	Z	£4⅜	—	Q18c	–	Jul	20.6	–
Gold Flds Prop R		112	–.9	Q82c	ϕ	Feb Sep	31.1	–
MK Props	s	85	—	Q44.7c	0.3	Feb Oct	19.10	–
SASOL	♥	394	–1.7	Q78c	–	Oct	23.9	3819
SA Brews		£12⅛	–1.0	Q155c	2.2	Dec Jun	30.5	–
Tiger Oats	†	813	—	Q65c	2.9	Jul Feb	6.6	–
Tongaat-Hulett		661	–.9	Q65c	2.4	Feb Aug	4.1	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT.

z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Figures based on IMR "Headline Earnings". P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Eurodollar (Distrbs), Eidos (Elect & Elctn Eqpt), Wyefield (Hse Goods), TR Property Wrrnts (Inv Trusts) and Chester (Water). Deletions: *Eclipse Blinds 8¼p Prf (Bldg Mtls).*

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT8846. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 39p per minute cheap rate and 49p per minute at all other times.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

4 pm close August 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	1994 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
17 3/8	13 3/8	AAR	0.48	3.4	469	94	14 1/4	14	14	-1/8
16 7/8	12 5/8	A L Labs A	0.18	1.3	31	33	13 1/2	13 3/8	13 3/8	-1/8
75 1/4	57 5/8	AMP x	1.68	2.3	26	2357	74 1/2	73 7/8	74 1/2	+1/4
72 3/4	52 1/8	AMR			100	3288	57 7/8	57 1/8	57 1/4	+1/8
5	3 3/8	ARX			13	220	4	3 7/8	4	
56 1/8	38 5/8	ASA	2.00	4.4	30	808	46	45 3/8	45 3/8	
31 3/8	25 3/8	AbbtL	0.76	2.8	16	6109	27 5/8	27 3/8	27 1/2	-1/8
13 3/4	11 3/8	Abitibi Pr	0.50	3.8	9	51	13 1/8	13 1/4	13 1/8	-1/8
23 5/8	17 3/4	ABM Ind	0.52	2.4		47	22 1/2	22	22	-1/2
13 3/4	11 1/8	Acptncein			25	71	u13 7/8	13 3/8	13 5/8	
31	22 3/4	ACE Ltd	0.44	1.9	3	421	23 3/4	23 1/2	23 1/2	
12 1/2	10 1/8	ACM Gvt In x	1.09	10.4		1016	10 3/4	10 1/2	10 1/2	-1/4
10 1/8	7 7/8	ACM GvOpp x	0.80	9.6		10	8 1/4	8 1/4	8 1/4	+1/8
10 5/8	7 3/4	ACM Gvt Sp x	0.96	12.0		88	8 1/8	7 7/8	8	
12	9	ACM Gvt Se x	1.09	12.0		382	9 1/8	d9	9 1/8	
11 3/4	8 3/8	ACM Man x	1.06	12.5		101	8 7/8	8 5/8	8 5/8	-1/4
9 1/4	8	ACM Managd x	0.72	8.9		111	8 1/8	d8	8 1/8	+1/8
15 1/2	8 3/4	AcmeClv x	0.44	3.8	14	72	11 5/8	11 3/8	11 5/8	+1/8
9 3/4	6 1/2	Acme Elect			6	202	u9 3/8	8 7/8	9 3/8	+5/8
28 3/4	23	Acordia	0.60	2.4	12	2	25 1/2	25 3/8	25 3/8	
10 1/2	5 3/4	Actava	0.36	3.6	3	672	u10 1/2	10	10 1/8	+1/8
15 5/8	11 1/4	Acuson			96	111	12 1/2	12 3/8	12 1/2	-1/8
18 3/8	16 1/2	Adams Expr	0.48	2.8	0	92	17 3/8	17 1/4	17 1/4	
64	46 1/2	Ad Micro	3.00	5.4		139	65 3/4	55	55 3/4	+1/2

[illegible]

BE OUR GUEST.

JOLLY HOTEL DU GRAND SABLON
BRUSSELS

When you stay with us in BRUSSELS stay in touch - with your complimentary copy of the

FINANCIAL TIMES

Continued on next page

4 pm close August 5

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
30¼	25	StJoeL&P x	1.80	6.7	13	38	27	26¾	26¾	-⅛
46	37¾	StPaul	1.50	3.6	4	1534	42⅛	41⅞	42⅛	+⅛
9⅞	5	Salant Crp			6	756	5⅞	05	5⅞	
49⅞	34⅛	Sallie Mae	1.40	4.1	7	2513	34⅝	d34⅛	34⅛	-½
13⅞	11⅞	Salomon Br x	0.32	2.5		1065	12⅝	12⅜	12⅝	+⅛
52¼	42½	Salomon	0.64	1.5	5	1834	43¼	42¾	43	-⅜
25	17½	SnDgGE	1.52	7.4	11	490	20¾	20⅜	20⅝	-¼
10	7½	SantaFeERs	0.16	1.7	9	301	9⅝	9½	9½	-¼
16¼	13½	SFeGd				1412	14¼	14⅛	14⅛	-⅛
40	31½	SantaFePac x	2.80	7.8	16	35	36⅛	35½	35¾	-¼
26¼	18½	SanFeP	0.10	0.5	10	2908	20⅞	19⅞	19⅞	-⅞
26	19⅞	SaraLee	0.64	3.1	14	3950	20¾	20¼	20⅝	+¼
50⅛	42⅛	Scana Corp	2.82	6.2	12	213	45½	45¼	45½	
20½	12½	Scecrp	1.00	7.1	9	3469	14⅛	13⅞	14	
40½	31¾	ScherarRP			27	99	36¾	36¼	36⅜	-⅜
69⅞	54½	SchrPl x	2.04	3.1	15	4765	66¼	65⅝	65¾	-⅞
63	50¾	Schlmb x	1.20	2.0	24	3762	59	58¼	59	+⅛
33⅞	23¾	Schwab(C) x	0.28	1.1	12	1263	26⅛	25⅝	25⅞	-⅝
10¾	8⅛	Schwitzer			27	54	9½	9⅜	9½	-⅛
38⅞	24⅞	SciAtl	0.12	0.3	78	8240	d39⅛	37¼	39	+4⅞
16⅞	13	Scotman	0.10	0.7	13	8	14½	14⅜	14½	
61¼	37¼	ScottP	0.80	1.3	16	5437	60¼	59⅝	60¼	-⅛
26⅞	18⅝	ScuddrNAsF	0.21	0.9		183	23⅞	23½	23⅝	-⅜
12⅝	9½	ScuddrNEuF	0.16	1.5		26	10½	10⅜	10⅜	-⅛
18¼	13½	SeaCnB x	0.70	4.2	8	10	16⅝	16⅝	16⅝	-⅛
16½	14⅞	SeaCt.4625	1.46	9.8		10	15½	15	15	-⅝
32	20¼	Seagram	0.56	1.8	30	2807	[illegible]	[illegible]	[illegible]	[illegible]

Price data supplied by Telekurs

AMEX COMPOSITE PRICES

4 pm close August 5

NASDAQ NATIONAL MARKET

4 pm close August 5

FT GUIDE TO THE WEEK

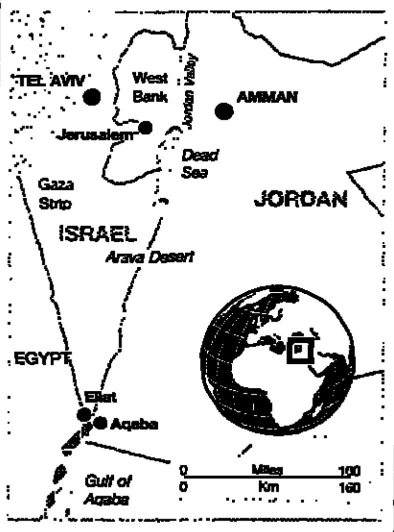
8 MONDAY

Israel-Jordan peace moves

Israeli prime minister Yitzhak Rabin (left) will officially enter Jordanian territory for the first time to meet Crown Prince Hassan and open a new border crossing between the Red Sea cities of Eilat and Aqaba.

The crossing, part of the peace accord signed last month in Washington, will initially be for third country nationals.

US secretary of state Warren Christopher will attend the ceremony and make a telephone call between Israel and Jordan, marking the opening of communications between the two after nearly half a century of conflict. After the ceremony, Mr Rabin and Mr Christopher will hold trilateral talks with King Hussein in Aqaba.



US House and Senate representatives meet this week in conference to resolve differences in two important bills: the Uruguay Round implementing legislation and the controversial National Competitiveness Act, which contains provisions discriminating against foreign business. Members are to decide this week whether to give President Bill Clinton authority to negotiate free-trade deals with Chile and other trading partners.

British Airways is expected to report strong first-quarter pre-tax profits with estimates of the range of £85m-£95m ($132m-$147m). The good performance reflects the airline's strong traffic growth in the first quarter, which has continued into the start of the second. Particularly encouraging has been the increase in first and business class traffic, which has been growing by about twice that in the economy cabin.

Holidays: Iraq (Victory Day).

9 TUESDAY

Armenia's president in US

Armenia's President Levon Ter-Petrosyan (left) is due to meet US president Bill Clinton in Washington. Mr Ter-Petrosyan, whose country has been reduced to abject poverty by its war with neighbouring Azerbaijan, is expected to discuss energy-starved Armenia's plans to restart its only nuclear power station. President Clinton will no doubt wish to discuss with Ter-Petrosyan the prospects for resolving the conflict over the Armenian enclave of Nagorno-Karabakh in Azerbaijan.

Israel and Jordan resume bilateral peace talks on border demarcation, water and security issues. The talks, at an Israeli hotel on the Dead Sea, aim to resolve the main obstacles that stand in the way of a formal peace treaty. Jordan is seeking the return of 360sq km of land occupied by Israel and the "rightful" allocation of the waters of the Jordan and Yarmouk rivers which it claims Israel has illegally diverted since the 1967 Arab-Israeli war.

US trade policy: The US House of Representatives is to vote on bills to remove China's Most Favoured Nation tariff status or limit the low levies to goods produced in the private sector. President Clinton would veto the legislation if it were to pass.

SPD conference: Leaders of Germany's opposition Social Democratic Party (SPD), including Rudolf Scharping, and Günther Verheugen, his general secretary, hold a conference in Bad Godesberg, near Bonn, to launch their campaign for the October elections. They will be seeking to recover the ground they have lost to Chancellor Helmut Kohl and his ruling Christian Democratic Union in recent months.

Football tax probe: Clubs from the UK Football Association's Premier League meet in London to discuss their response to a tax investigation by the Inland Revenue. The agenda includes loans to players, payments to agents and testimonial matches. The exact location and the names of clubs attending are being kept secret by the FA – but Alan Sugar's Tottenham Hotspur will not be there, having already settled with the Revenue.

Football: The televisions have barely cooled down from the World Cup, but this week British teams return to competition. Today, Inter Cardiff make their European debut at home against GKA Katowice, Poland. Tomorrow, Glasgow Rangers open their European Cup campaign in Athens.

Holidays: Singapore (National Day).

10 WEDNESDAY

Turkey minister's debut

Turkey's foreign minister Mumtaz Soysal is expected to attend tripartite talks in Damascus with his Syrian and Iranian counterparts in his first official visit since being appointed last month.

The regular meetings are aimed at co-ordinating policy on regional issues. All three countries have Kurdish minorities and are concerned about the de facto Kurdish state in the north of neighbouring Iraq.

Ankara is also likely to urge its neighbours to curb the cross-border activities of Turkey's rebel Kurdistan Workers Party PKK.

Traditionally, this question has been linked to the vexed water issue and Ankara's control of both the Euphrates and the Tigris rivers.

Slovak privatisation: The Slovak National Property Fund, which holds shares in companies to be privatised, begins a second round of sell-offs involving stakes in 19 small and medium sized companies with an estimated value of Sk735m ($23.1m).

US economy:

Alan Greenspan, chairman of the US Federal Reserve Board (left), is due to speak to a congressional committee about the reliability of monetary aggregates as forecasting tools. Although the hearing is fairly technical, it falls right in the middle of the Treasury's quarterly sale of new bonds, so Mr Greenspan's every word is likely to be scrutinised by the bond market.

Ariane blast-off: The 66th Ariane rocket, delayed from July 30 by technical problems, blasts off from the European Space Agency's centre in Kourou, French Guiana, on the north-east coast of South America.

The rocket is to launch a 1.7 tonne communications satellite for a Brazilian company and another satellite weighing 1.8 tonnes for Turkey's ministry of posts and telecommunications.

UK economy: The Confederation of British Industry and Business Strategies Ltd release their regional industrial trends survey.

The Bank of England will release its analysis of bank lending to UK residents for the second quarter.

Dylan Thomas's widow Caitlin, who died last week in Italy aged 81, is to be buried next to her husband, according to her last wishes at Laugharne, on the coast of south Wales.

Holidays: Ecuador (Independence Day).

The "tuna war" over illegal nets that erupted last week between fishermen in the Bay of Biscay has become more of a tangled web

11 THURSDAY

Japan rejigs constituencies

A new political map of Japan will be proposed to prime minister Tomiichi Murayama. A government panel has drafted new boundaries to create 300 single-seat constituencies for the lower house of the Diet (parliament), along with 200 seats allocated by nationwide proportional representation.

This would replace the present multi-seat system which fostered corruption, as members of the same party would compete for a seat by offering local favours rather than differentiating themselves on policy issues. The Diet will debate the map in the autumn.

Germany's postal service presents its annual results, giving some idea of the privatisation prospects for the weakest link in Germany's great postal reform package, alongside Deutsche Telekom and the Postbank.

UK electricity pricing: Prof Stephen Littlechild, regulator for the UK electricity industry, announces the results of his review of price controls. The review is expected to lead to price cuts in 1995-96, and tighter controls on rises thereafter. The review will also remove the last uncertainty holding back a merger shake-out in the sector.

Rossini opera festival: Pesaro, an Italian resort on the Adriatic, begins its annual tribute to its most famous son, the composer Gioachino Rossini.

Holidays: Jordan, Zimbabwe (Heroes' Day).

12 FRIDAY

Non-aligned debt meeting

Finance ministers from member states of the Non-Aligned Movement meet in the Indonesian capital Jakarta to discuss foreign debt management (to August 15). Indonesia, whose interest payments absorb some 30 per cent of its export earnings, is hosting the event, the first time the Movement has discussed the issue.

In addition to the 31 members, representatives from the International Monetary Fund, the World Bank, the Japan Centre for International Finance, the Development Bank of Africa, the Asian Development Bank and the Inter-American Development Bank are attending.

Strikers strike: US baseball players have called a strike beginning today if negotiations with team owners do not lead to the signing of a new labour contract.

The dispute involves the use of television and attendance revenues, and the owners' insistence that a new labour contract includes a salary cap.

Japan's rice market may have some price controls lifted and distribution of the staple made more efficient as a result of an interim report to be presented by the Agriculture Policy Council, a government advisory body.

Glorious Twelfth: The grouse shooting season begins in Britain.

Holidays: Thailand (Queen's Birthday), Zimbabwe (Armed Forces Day).

13-14 WEEKEND

Key poll in New Zealand

New Zealand holds a by-election on Saturday for the South Island constituency of Selwyn, left vacant by the resignation of government MP Ruth Richardson. The conservative National Party has a majority of one seat.

Apprentice Boys parade: Up to 10,000 Protestant loyalists are expected to gather in the mainly Catholic city of Londonderry on Saturday for the annual Apprentice Boys parade. It marks the 305th anniversary of 13 apprentices closing the gates of the city on the army of Catholic King James II.

Football: On Saturday, the English Football League and the Scottish League begin. The English Premier League begins a week later.

Guatemalans vote for a new congress on Sunday following constitutional reforms approved in January to bring forward elections. The Frente Republicano Guatemalteco, the party of retired general and former coup leader Jose Efrain Rios Montt, who is accused of thousands of human rights abuses, is expected to top the polls.

The Edinburgh Festival begins on Sunday, accompanied by its billowing Fringe (to Sep 3).

Motor racing: The Hungarian Grand Prix takes place on Sunday.

Compiled by Patrick Stiles and Shelley Wood. Fax: (+44) (0)71 873 3194.

ECONOMIC DIARY

Other economic news

Monday: Rising commodity prices, and their effect on producers' costs, were mentioned as one of the new inflationary risks by the Bank of England in its quarterly report, published last week. So particular attention will be paid to today's producer prices figures. The consensus is for the annual rate of output price inflation to remain at 2 per cent in July, while input price inflation slips back to 1.3 per cent, from June's 1.4 per cent.

Tuesday: The delay in compiling European Union trade data these days means that the world trade data for the UK released today, relate only to May. June figures for trade with non-EU countries have already been released. Analysts are expecting May's whole world deficit to widen to £1bn, from £803m in April.

Wednesday: The markets will see the minutes of chancellor Kenneth Clarke's meeting with Eddie George, the governor of the Bank of England, on July 6. Since it has been clearly signalled that the duo did not agree on a base rate rise either then, or at the more recent July 28 meeting, the main interest will be to see whether Mr Clarke is showing any concern about inflation.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	June consumer credit	£375m	£203m
Aug 8	UK	July producer prices indx input*	0.8%	0.8%
	UK	July producer prices indx input**	1.3%	1.4%
	UK	July producer prices indx output*	0.2%	0.0%
	UK	July producer prices indx output**	2%	2%
	UK	Ditto, ex food, drink, tobacco**	1.9%	1.9%
	Aus'lia	July ANZ job ads	-	0.4%
Tues	US	June wholesale trade	-	0.3%
Aug 9	US	2nd qtr productivity, prelim	-	1.3%
	US	Johnson Redbook, w/e Aug 6	-	0.3%
	Japan	June machine orders*	2%	4%
	Japan	Ditto, ex elec power and ships**	-0.1%	-0.3%
	Japan	3rd qtr priv machine orders outlook	-	n/a
	France	1st qtr industrial production	-	-1.2%
	UK	May visible trade, global	-£1bn	-£803m
	Canada	June motor vehicle sales*	0.0%	1.2%
	Canada	July housing starts, units	167,000	167,000
Thur	US	July retail sales	0.1%	0.6%
Aug 11	US	Ditto, ex auto sales	0.5%	0.4%
	US	July producer prices indx	0.3%	0.0%
	US	Ditto, ex food and energy	0.2%	-0.1%
	US	Initial claims, w/e Aug 6	330,000	319,000
	US	State benefits, w/e July 30	-	2.75m
	US	M2, w/e Aug 1	$0.7bn	$5.8bn
	US	July monthly M2	$15bn	-$9.2bn
Thur	France	1st qtr gross domestic product	0.5%	0.5%
Aug 11	Aus'lia	July unemployment rate†	10%	10%
(cont)	Aus'lia	July employment†	15,000	19,000
Frid	US	July consumer prices index	0.3%	0.3%
Aug 12	US	Ditto, ex food and energy	0.3%	0.3%
	US	Aug Michigan sentiment, prelim	-	89
	US	June business inventories	0.3%	1.1%
	US	July Atlanta Fe indx	-	18.1
	US	July real earnings	-	-1%
	US	July bank credit	-	3%
	US	July C&I loans	-	4.6%
	Japan	July trade bal. custom cleared basis	$11.6bn	$11.3bn
	Japan	July wholesale price indx*	-0.2%	-0.1%
	Japan	July wholesale price indx**	-2%	-1.9%
	France	July consumer prices indx, prelim*	0.1%	0.0%
	France	July consumer prices indx, prelim**	1.8%	1.8%
During the week...				
	Japan	July Tokyo dept store sales**	-	-3.4%
	Germany	July cost of living, final*	-	0.2%
	Germany	July cost of living, final**	-	3%
	Germany	June final M3	-	13.4%
	Germany	June retail sales, Pan Germany**	1%	3%
	France	June M3*	-	-0.8%

*month on month, **year on year, †seasonally adjusted. *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD

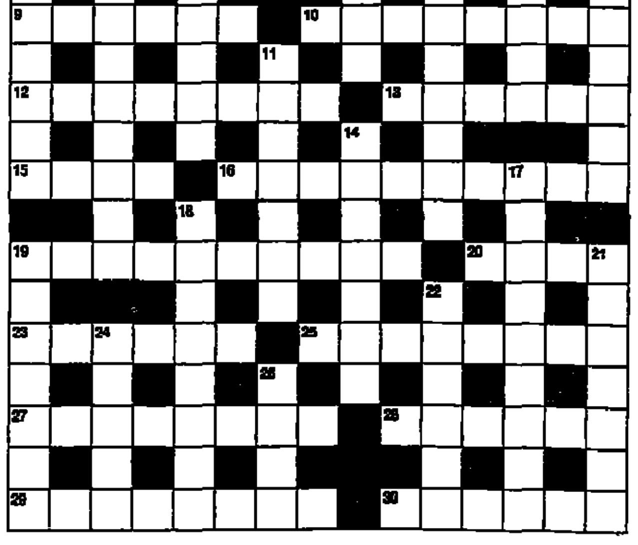
No.8,526 Set by DANTE

ACROSS

1 Point to Elizabeth's favourite part of old England (6)
4 Nuts go well with cheese (8)
9 Bedclothes used as ropes (6)
10, 30 Some practical guidance for the pools enthusiast perhaps (8,6)
12 Hartnell fashion to charm (8)
13 Shaped like an orange, but able to change (6)
15 Steal and you'll get prison (4)
16 They need an air cushion when travelling (10)
19 Side line for the artist? (10)
20 Bet you can back this hotly tipped runner (4)
23 Overdue book hidden (6)
25 Held back free trade when in the red (8)
27 Made notes with no sign of worry (8)
28 His leader expresses a personal view (6)
29 Loudly call out twice after a plea for silence (5,3)
30 See 1 across

DOWN

1 Film we start and end on a ship (7)
2 Unwilling to give credit (9)
3 I enter amended total (6)
5 Lines of argument? (4)
6 Quick reply made to a welcome guest? (4-4)
7 I care about a growing girl (5)
8 Division has FBI agents mounted outside (7)
11 Granted none had paid their debts? (7)
14 Colonist gets letters sent out (7)
17 With such remedies, a diet's not to be changed (9)
18 Indicate a decimal calculation is wrong (5,3)
19 How a sailor makes ends meet? (7)
21 Bar and a club (7)
22 Not a current source of light (6)
24 The speed at which some work should be done (5)
26 Choice dishes may be set out on it (4)



A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday August 18, marked Monday Crossword 8,526 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday August 22.

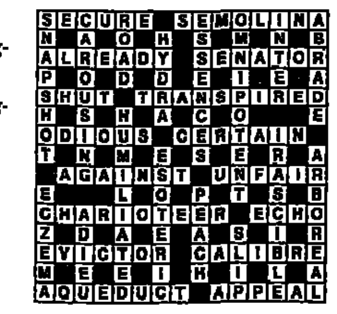
Name.................................

Address.................................

Winners 8,514

D.J. Stanbank, Leeds
R. Bayliff, Edinburgh
G. Bennett, Mottram-in-Longdendale, Cheshire
M.P. Laker, Coulsdon, Surrey
S.J. Trail, Selly Oak, Birmingham
J.C. Towle, Sale, Cheshire

Solution 8,514



مكتبة الأمل